THE

Indian Taxation Enquiry Committee

Volume V

EVIDENCE

PATNA, CALCUTTA AND SHILLONG



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3rd March 1925.

DELHI.*

PRESENT:

SIR CHARLES TODHUNTER, K.C.S.I., I.C.S., *President.*
The Hon'ble SARDAR JOGENDRA SINGH
Dr. R. P. PARANJPYE
Dr. L. K. HYDER, M.L.A.

The Hon'ble Mr. E. H. BERTHOUD, O.B.E., I.C.S., Commissioner of Excise and Salt, Bihar and Orissa, was examined.

Written memorandum of the Hon'ble Mr. Berthoud.

Q. 61.—There has been a clamour for total prohibition from a particular section but the Local Legislative Council has so far not favoured this policy. There have been two full-dress debates on resolutions recommending prohibition,—one in 1921 and one this year. On both occasions the resolution was defeated—in 1921 by 32 votes to 10, in 1925 by 48 votes to 21.

Q. 62.—I am not an advocate of prohibition.

(a) (i) Super-tax on land revenue cannot be considered to be a particularly satisfactory expedient for replacing excise revenue for the following among other reasons.

(1) Even apart from considerations of the kind referred to in (3), a surcharge on land revenue is, in an almost purely agricultural country like this, calculated to cause greater discontent than what prohibitionists find ground for in our excise policy.

(2) In a permanently-settled country like this, a surcharge on land revenue is likely to be looked upon as an act of breach of faith.

(3) The very large section of the community who have been abstainers always and who have never pressed for prohibition would resent the imposition of an additional tax necessary to satisfy what they consider to be the fad of a comparatively few idealists. Probably many of the prohibitionists also would join the opposition, and some of them would possibly clamour the loudest.

(4) Where, as in Bihar and Orissa, land revenue is assessed not on the cultivator direct but on the landlord, it would be necessary either to lay the whole burden on the shoulders of the landlords or to make complicated arrangements similar to those for road-cess for collection from the rent-payers.

(5) The excise revenue is considerably greater than the total land revenue at present.

(a) (ii) Income-tax in this province brings in very much less money than excise revenue. A surcharge on income-tax, in order to replace excise revenue, would have to be at 5 or 6 hundred per cent. rather than the 20 per cent. suggested; and this is beyond practical politics.

(b) The suggestions of the Bombay Excise Committee are suited mainly for industrial areas where big incomes are made in business. Taxes of the kinds suggested would not bring in much in a province like Bihar and Orissa.

NOTE.—For the Questionnaire and Annexures, see Vol. III—Evidence.

* The Hon'ble Mr. Berthoud was examined at Delhi, but his evidence is printed in this volume so that it may appear with that of other witnesses from the same province.

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Q. 64.—As a measure of taxation, pure and simple, our present policy does not go to the farthest possible extent—it would be possible to obtain greater revenue by relaxing control on the use of intoxicants. But our policy is maximum of revenue consistent with minimum of consumption; and this we have persistently tried to follow.

Q. 65—Different rates of duty are inevitable in a country like this peopled by many races, in different stages of civilisation, with such diverse tastes and different economic conditions. Taxation that may drive people in Gumla and Simdega subdivision of Ranchi to illicit sources of supply may fail to make any impression in Dhanbad or Jamshedpur. Our duty rates, which are not mentioned in Annexure H, range between 10 annas in Sambalpur (where *mahua* is abundant and which is surrounded on all sides by Indian States) and Rs 10 in Jamshedpur.

Q 66—Nothing very appreciable.

Q 67—This question has only an academic interest for this province as potable foreign liquors are not manufactured in this province. The rule in this province has always been to charge duty at the tariff rate on locally-made imitations of foreign liquor and it is desirable that this should continue. If this is done, the same freedom from restrictions as is given to foreign liquors may be allowed

Q 68—Local Governments should have the power to impose supplementary duties on foreign liquors, subject to the proviso that this power should be exercised only when taxation on country spirit approximates to the tariff rate. This condition is not likely to obtain in Bihar and Orissa for some time yet at least.

Q. 69—The best arrangement is that recommended by the conference of Finance Members held on 15th November 1923, *viz.*, that duty should follow consumption.

Q 70.—It is doubtful if it would be ever possible to tax *tari* to the same extent as spirit in proportion to its alcoholic value. In the first place, the cost of production, in proportion to the alcoholic content, appears to be higher in *tari* than in spirit. Secondly, *tari*, taxed to the same extent as spirit, would very probably fail to compete with spirit; for in many cases it is only because *tari* is cheap that it, and not spirit, is drunk.

At the same time, there is no doubt that taxation on *tari* is low in this province and that increase would be desirable. But the chances of financial success from a tree-tax are very uncertain in the peculiar conditions of this province, chiefly because the supply varies so very considerably in different seasons of the year For more than half the year there is no sufficient *tari* from which to get revenue, and in the remaining months the supply is so very much in excess of the demand that the price has to come down ridiculously low, impairing thereby the capacity of the quantity drawn during this period to bear an incidence which can be at all considered reasonable. A tree-tax would certainly reduce consumption but may not necessarily increase revenue.

Q 71.—Here also remarks similar to those against question No 65 are applicable. A few years ago we raised duty on *ganja* throughout Bihar to Rs. 40 per seer, which was fully justified by conditions within the districts. But we found out to our cost that exports to Nepal from this province dropped almost to *nil;* and we have again had to reduce duty for the north Gangetic area to Rs. 30 per seer. Uniform rates of duty could be possible only if conditions were similar, which they are not.

Q. 72.—The existing systems of wholesale supply of country spirit and *bhang* are satisfactory. In respect of *ganja*, we depend on Bengal who have created a monopoly in favour of one particular party. This party charges exorbitant rates which is standing in the way of expansion of our revenue. To remedy this, we are trying to take steps for growing our own *ganja*.

Q. 73.—We have two systems for disposal of licenses for retail vend,—the auction system in some districts and the sliding scale arrangement in others. From the point of view of taxation alone, the auction system appears satisfactory, but it has been attacked on other considerations. The sliding scale system which has been only recently introduced has not brought much increased revenue till now. But it will possibly do so after a short time; and it has many other good points in its favour, chiefly as a temperance measure.

Q. 74.—The area and population per shop are still comparatively low in Bihar and Orissa (lower than in all other provinces except Madras); and it does not appear that reduction in number of shops in recent years has brought about any artificial increase in the value of the shops that remain. It may be mentioned at the same time that further reductions in number of shops to any marked extent is calculated to have undesirable consequences.

Q. 75.—Here also some diversity is inevitable. The conditions of Burma are peculiar. Elsewhere, the difference in rates is not very marked.

Q. 76.—The system was never tried in this province.

Q. 77.—Smuggling of opium and cocaine is now carried on by organised parties that have agencies in different parts of the country, not excluding the Indian States. While of course the chief responsibility for control must rest with the consuming province, centralised action from the Government of India may improve matters.

The Hon'ble Mr. Berthoud gave oral evidence as follows :—

The President. *Q.*—You are Excise Commissioner, Bihar and Orissa?

A.—Yes.

Q.—You are also in charge of Salt?

A.—Yes; also Registration.

Q.—Anything else?

A.—I am the Registrar of Joint Stock Companies.

Q.—You say that there has been a clamour for total prohibition from a certain section, but that the local Legislative Council has not so far favoured this policy.

A.—Yes.

Q.—Has there been a demand for the extinction of revenue as distinct from a demand for the extinction of drink?

A.—I think there has been more demand for extinction of the drink than for the extinction of the revenue.

Q.—Certain enthusiasts are anxious to extinguish the revenue; apparently, they do not mind whether they extinguish the drink or not.

A.—Yes.

Q.—As regards alternative methods of finding revenue, I take it that even if you had prohibition, neither of the ways suggested would be practicable in your province.

A.—So far as my province is concerned, excise revenue, I think, bears a bigger proportion to the total revenue than in any other province. Last year it was 182 lakhs of rupees, which was more than a third of the revenue of the province.

Q. In some districts the excise revenue is more than the land revenue?

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Q.—In reply to question No 65, you say that duty rates range from 10 annas to Rs. 10.

A.—Yes.

Q—That is per proof gallon?

A.—London proof gallon.

Q—Is it possible to raise the duty?

A—We are always raising it, even in the middle of the financial year, when we see consumption increasing

Q.—Does not that affect your auctions?

A—We have got the auction system only in Chota Nagpur; in other places we have the sliding scale system It is practically the same system as they have in Bengal and the United Provinces. Only they call it by different names.

Q—In paragraph 75 of your Administration Report for 1923-24, it is stated that the consumption of country spirit in 1923-24 showed a decrease of 25 per cent. compared with 1912-13 in certain districts

A—That is so.

Q.—Have you seen the Central Provinces Administration Report for 1923 in which they compare all the provinces? It shows that Bihar and Orissa is the one province which is increasing its consumption and everybody else is making an enormous reduction

A—I do not know where they got their figures from The statement compares the consumption of country spirit for the calendar year 1923, while our figures are for the official year The year 1922-23 was one of increased consumption, because it was immediately after the non-co-operation movement In the Central Provinces statement they have also probably included districts which were under the outstill system and have since come under the distillery system

Q.—We have a table here comparing the consumption in standard distillery areas, that is, areas under the distillery system, but we cannot get the 25 per cent reduction you refer to

A—This includes figures for 1911-12 when the province was not formed, probably you have included some of the Bengal districts in your calculation.

Q.—If we send you this statement* of our calculations, will you please verify it?

* Not printed

The figures given of consumption of country spirit in Bihar and Orissa are worthless, because during the previous quinquennium several districts were under the outstill system and therefore there can be no comparison of their consumption during that period with the consumption of the year 1922-23, when the distillery system had been extended to them.

The statement below comparing the consumption in the same period in the areas under the distillery system only shows that there was a fall in consumption of 3 per cent

Province.	Average for previous quinquennium.			Last year's statistics, 1922-23			Per cent. variation.			
	Country spirit consumption.	Country spirit revenue.	Total revenue.	Consumption.	Country spirit revenue.	Total revenue.	Consumption.	Country spirit revenue.	Total revenue	Incidence of duty rate per proof gallon.
	Rs.	Rs	Rs.	Rs.	Rs.	Rs.				
Bihar and Orissa.	9,77,844	51,21,678	1,09,09,428	9,46,022	63,87,568	1,31 77,190	—3	+20	+20	

A.—Certainly.

Q.—Your calculation of 25 per cent does not allow for a reduction in population?

A.—No I did not go into population.

Q.—I think it would be a good thing to analyse the Central Provinces table. Perhaps you would not mind doing it; it looks from the statement as if Bihar and Orissa is the one province which is increasing its consumption

A.—That is wrong: I shall examine the statement

Q.—Has the increase in duty led to much illicit distillation?

A.—The non-co-operation movement led to a great increase in distillation.

Q.—When was the highest figure for illicit distillation reached?

A.—The highest figure was reached in 1922-23; it was about 1,400 cases.

Q.—That was not the result of the policy of raising the duties?

A.—I put it down to the boycott movement against liquor shops, when people were driven from liquor shops and started making their own liquor.

Q.—The reason why I am asking you this is because a number of provinces have come to the conclusion that illicit distillation is out of control as a result of the policy of increasing the duties.

A.—It is out of control in several provinces.

Q.—May I draw your attention to what the Board of Revenue, Bihar and Orissa, say on this subject they say that they rather "doubt whether reforms have not been too rapidly introduced, *e.g.*, the introduction of the contract system into parts of Hazaribagh and Sambalpur before the districts were ready *and illicit distillation could be prevented.*"

A.—The Board holds that view. I was District Officer of Hazaribagh at the time when the change was made; I held that it was premature. You could not however put down the increase in illicit distillation cases to this reform, because the increase was infinitely greater in other districts which have been under the distillery system much longer Ranchi and the Santal Parganas are the two districts where there are most distillation cases

Q.—You are going as far as it is safe to go?

A.—The Board thinks we are going too fast.

Q.—Are you satisfied with the working of the sliding scale system?

A.—In other provinces they introduced it wholesale; we are going gradually, and so far, I am satisfied with it

Q.—Don't you find that the sliding scale puts a premium on malpractices by the vendor?

A.—No; one of the reasons for the introduction of the system was that it reduced the danger of malpractices; in fact, they are becoming extinct. Whatever the vendor sells he gets a profit, while under the auction system you put up a license to auction and there is speculation and rivalry.

Q.—*The more he sells, the less his profit is under the sliding scale system.*

A.—The more he sells, the less his proportionate profit, but the total profit is bigger.

Q.—We were told that it puts him under a great temptation to sell illicit liquor.

A.—I have never heard of a case of that.

Q.—Is there no risk of a consignment for a shop at which the rate of duty is low being taken to a shop where the duty is high?

A.—That is guarded against by not making sudden changes in the duty between different shops.

Q.—But you would always have a different duty, because the duty varies with the quantity issued.

A.—Yes.

Q.—That is per proof gallon?

A.—London proof gallon.

Q.—Is it possible to raise the duty?

A.—We are always raising it, even in the middle of the financial year, when we see consumption increasing

Q.—Does not that affect your auctions?

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Province.	Average for previous quinquennium.			Last year's statistics, 1922-23			Per cent variation			
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Q.—The reason why I am asking you this is because a number of provinces have come to the conclusion that illicit distillation is out of control as a result of the policy of increasing the duties.

A.—It is out of control in several provinces.

Q.—May I draw your attention to what the Board of Revenue, Bihar and Orissa, say on this subject they say that they rather "doubt whether reforms have not been too rapidly introduced, *e g*, the introduction of the contract system into parts of Hazaribagh and Sambalpur before the districts were ready *and illicit distillation could be prevented*"

A.—The Board holds that view I was District Officer of Hazaribagh at the time when the change was made I held that it was premature You could not however put down the increase in illicit distillation cases to this reform, because the increase was infinitely greater in other districts which have been under the distillery system much longer Ranchi and the Santal Parganas are the two districts where there are most distillation cases

Q.—You are going as far as it is safe to go?

A.—The Board thinks we are going too fast

Q.—Are you satisfied with the working of the sliding scale system?

A.—In other provinces they introduced it wholesale; we are going gradually, and so far, I am satisfied with it.

Q.—Don't you find that the sliding scale puts a premium on malpractices by the vendor?

A.—No: one of the reasons for the introduction of the system was that it reduced the danger of malpractices, in fact, they are becoming extinct *Whatever the vendor sells he gets a profit, while under the auction system you put* up a license to auction and there is speculation and rivalry

Q.—The more he sells, the less his profit is under the sliding scale system.

A.—The more he sells, the less his proportionate profit, but the total profit is bigger.

Q.—We were told that it puts him under a great temptation to sell illicit liquor

A.—I have never heard of a case of that.

Q.—Is there no risk of a consignment for a shop at which the rate of duty is low being taken to a shop where the duty is high?

A.—That is guarded against by not making sudden changes in the duty between different shops

Q.—But you would always have a different duty, because the duty varies with the quantity issued.

A.—There is a theoretical danger of liquor issued to a shop paying a small license fee being sold in a shop where the license fee is high but we take great care to see that neighbouring shops are never in the same hands and any sudden variation in consumption is watched very closely.

Q.—You do not have a tendency to level down the consumption between shops?

A.—No.

Q.—That is what they found in the United Provinces.

A.—I do not consider that the United Provinces have enough staff; they have a much smaller staff than we have.

Q.—Another tendency for the man who gets up to the high rate of duty is to sell at the best price he can get to a few selected consumers instead of getting a fresh supply. Suppose a man has sold a thousand gallons and his duty on a thousand and ten would give him an exceedingly small proportion of profit and he has got, say, 10 gallons in hand which he would normally sell at 4 annas a gallon. It is not worth his while to get another 10 gallons, because his profit is small; so he would sell what he has already got at 8 annas a gallon.

A.—That would mean immediate cancellation of his license. A man who sells a thousand gallons is making a very big profit and our experience is that he would not risk it.

Q.—How often do your staff manage to inspect?

A.—Inspectors are supposed to inspect big headquarters shops working under the sliding scale system once a week The Superintendents have to inspect once every fortnight.

Q.—Your shops are under very close control?

A.—We find that profits in big shops are so high that the licensee does not risk cancellation. We renew licenses when there is no misconduct on the part of the licensees; they are not allowed to sell except in sealed bottles and every bottle is labelled with the price on it.

Q.—But he may sell one dram at a time.

A.—Yes, only out of the sealed bottle.

Q.—Have you had any difficulty in getting bottles of uniform size?

A.—Quart bottles are used, about seven to the gallon.

Q.—They are not exact?

A.—They are supposed to contain 23 ounces.

Q.—In the United Provinces, they have great variations as regards the size of the bottles.

A.—The United Provinces sell much stronger spirit than we do; the spirit we sell is probably the weakest in India, 75°, 80° and 85°, and the result is that usually the whole bottle is consumed on the premises.

Dr Paranjpye. *Q*.—Do they take back the bottle?

A.—The seller is allowed to charge a few pice for the bottle and if it is returned, he has to refund that amount.

The President. *Q*.—What is the process for selecting your licensees?

A.—A licnsee, if he has nothing against him, continues his license from year to year, and we do not disturb him except for good reasons. Towards [illegible] which are going to change hands, [illegible] the candidates are divided into [illegible] here is more than one suitable [illegible]

Q.—What are your qualifications?

A.—The candidate should be a local man: this is essential: he should be prepared to look after the business himself and he should have sufficient capital to carry it on. These are the three main points.

Q—You don't consider his education or moral character?

A.—That is impossible.

Q.—You do not allow them to put in a manager?

A.—Only in exceptional cases. We are introducing a rule requiring licensees to apply for leave of absence.

Q.—Does not this result in the hereditary liquor-seller being put in opposition to you?

A.—Not so far. When we started this system, we left the shops in the hands of those already in the trade who had nothing against them, and they carried on

Dr Paranjpye. *Q*.—Does not this system lead to corruption amongst the excise staff?

A.—I am afraid all systems lead to corruption. Under the old auction system, they used to bid so high that the bidding had to be stopped. Very few shops are now changing hands and if the system of drawing lots is properly exercised, I do not see how the staff can get such chance of being corrupt over the settlements.

Q—A shopkeeper who is in charge of a shop for some years has some interest not to leave it?

A.—If there is nothing against him, he will not be disturbed

Q.—The excise officer would worry a man in order to get *bakshish* from him.

A—It is possible; we have had cases like that

The President. *Q*.—Have you read the report on the old fixed fee system in Bombay? They found that 50 per cent of the staff were hopelessly corrupt.

A.—Yes, I have been guarding against this. This year I had to draw up proceedings against 11 Sub-Inspectors in one district, but I hold that they were just as corrupt under the auction system.

Q—How could they be corrupt under the auction system?

A.—In the same way; vendors would pay the staff for not reporting malpractices.

Dr. Paranjpye. *Q*.—But you would let them dilute the liquor or sell short-measure? You don't bother about these?

A.—I consider such action dishonest; Government are taking their share of defrauding the consumer.

Q—The practice of dilution would disappear with the sale in sealed bottles.

A—It is practically dying out altogether

Q—And short-measure will also disappear, because the liquor is sold in sealed bottles

A—Yes.

Q—So that, these are the only two possible malpractices on a large scale?

A.—I was very much against the auction system as it was going on when I took charge of this department, because of the tremendous fluctuations in revenue. You never knew where you were. When there was an agitation against excise at the time of the non-co-operation movement, Government lost revenue for the whole year, because people were discouraged from attending auctions; whereas under the sliding scale system, the moment your consumption recovers, up goes your revenue, and it is much more stable.

The President. *Q*.—You prefer the sliding scale system on the understanding that you would have a sufficient staff to check and control?

A—Yes, I am not sure that the inferior staff should not be abolished altogether, as they have done in the Income-tax Department

Q.—You have fixed prices?

A.—Yes.

Q—Are they not exceeded?

A—They may be exceeded in the beginning, but gradually people ought to know what the price is, as every bottle is labelled with the price and a big notice board is put up showing the prices.

Q.—In your reply to question No. 67, you say that potable foreign liquors are not manufactured in your province, but a large quantity is consumed in your province?

A—Not much.

Q—You give a long list of them, as Shahjahanpur Rum, Deer Brandy, Russa Brandy, Russa Whisky, Cawnpore Whisky and Shakura Beer. Does your province get credit of duty on any of these?

A—Of course we get license fees.

Q.—*You haven't made any arrangements with the provinces that issue* them, in order that you might get some revenue?

A— No

Q—You could do that.

A.—I suppose we could.

Q—The Central Provinces did not take any steps until last year, when they suddenly found that this brought them nearly half a lakh of rupees.

A.—I do not think it is worth anything like that in our province, but it is worth enquiring into

Q.—You say that supplementary duties should not be imposed on foreign liquor unless taxation on country spirit approximates the tariff rate Why do you impose this restriction?

A.—Otherwise the consumption of foreign liquor would compete with country spirit

Q.—There are a great many places where you do not want to sell foreign liquor licenses by auction; at the same time, you do not want foreign liquor to increase largely in consumption. License fees are based on the previous year's consumption at so much a bottle. That practically is a supplementary duty?

A—We call it a license fee

Q—It is the same thing in effect

A.—Yes

Q—In regard to *tari*, you say that the cost of production, in proportion to the alcoholic content, appears to be higher than that of spirit.

A.—Yes.

Q.—But surely *tari*, is as strong as beer even at the foot of the tree. I think tests were made in your province in order to ascertain its alcoholic strength and it was found that fresh *tari* drawn at the foot of the tree at 6 o'clock in the morning was as strong as lager beer.

A.—It would not compare with country spirit. *Tari* is weaker; it is weaker than 90° under proof, I think.

Q—The price of two bottles of *tari* would be equal to one of 85° U.P. spirit?

A.—In our province, the Pasi who produces the *tari* has first of all to get the trees from the landlord; the landlord makes him pay as much as he can for the trees; then he has got to get tappers and then obtain a license.

Q—Is not the Pasi a tapper himself?

A.—He has tappers under him, he cannot do everything himself. Some, of course, tap themselves, some do not, some employ professional tappers, who are generally relations I should have thought it was more expensive considering the strength, but I have not worked out the figures.

Q—You do not think the tree-tax system is practicable in your province?

A—Before I took over charge, an officer had been deputed to go to Madras, Bombay and the Central Provinces to study this system and he wrote a big

report on the subject. Then the War came and the matter dropped. We took it up again; our difficulty is that the supply varies tremendously at different seasons of the year. What I understand they do in Madras is to arrange to tap a certain number of the trees in the hot weather and a certain number in the cold weather so as to get a level supply. We have been trying for two years to get Madras tappers to show how to do it here but we have not been successful.

Q.—I think you have been informed wrongly In Madras the palmyra only yields at one season. We have got variable supplies as you have.

A.—I do not know, but the information that was brought by the officer on special duty was different. It is in his report

Q.—It is unfortunate that the Madras system has been misunderstood. In 1886, I think, it was reported that in Madras we marked every tree in the country. In Bihar and Orissa they went round and tied a tin-ticket to every existing tree and then condemned the tree-tax system, because it was too expensive I do not know about the officer who was recently deputed, but the idea that the Madras tapper can so tap as to get a level yield all the year round is not correct

A.—I do not mean that the yield was from the same tree. A certain proportion of the trees gave the yield and there was probably a way of tapping the trees in such a manner that they would not yield in the hot weather, but would yield in the cold weather

Q.—With regard to question No. 71, apparently you make money out of the exports of *ganja* to Nepal?

A.—Yes.

Q.—And they pay your duty?

A.—Yes

Q.—What about Bengal? Is there no competition with it?

A.—Bengal always has a lower duty than ours. Their duty is only Rs. 20 and ours was Rs. 30 But still Nepal wanted our *ganja* We raised the duty then to Rs 40 and that stopped our export altogether.

Q.—You say "uniform rates of duty could be possible only if conditions were similar" What is the difference in conditions with regard to *ganja*?

A.—For instance, in Orissa it is much more easily smuggled from the Feudatory States than in Bihar.

Q.—Can't you get them to co-operate?

A.—They co-operate in this way, that they undertake not to allow *ganja* growing and we give them *ganja* free of duty. We supply them at the cost price under what they call the Cooch-Bihar system But *ganja* from the States is smuggled and seems to be very popular. In Puri last year we seized a considerable quantity It looked like *bhang* The duty on *bhang* is very low and it grows all over the place I have been making experiments in growing *ganja* and as soon as the plant was cultivated we found that wild *bhang* was growing on neighbouring lands, and had to be weeded out.

Q.—Can you have a uniform rate of duty?

A.—We have a uniform rate of duty except in Orissa and North Bihar.

Q.—Do you think it possible to have the 30 rupees rate?

A.—I think it will be possible.

Q.—Would you approve making the manufacture of *ganja* a Government monopoly?

A.—I would not mind its being a Government monopoly provided it was a Local Government monopoly

Q.—What would you say to a monopoly similar to the opium monopoly run by the Ghazipur factory?

A.—Our people won't have Madras *ganja*. I tried the Central Provinces *ganja* and people won't touch it. It looks quite different. I think there is much less drug in it.

Q—It is merely a matter of seed

A.—Yes; and also the soil, the cultivation and the preparation.

Q.—But suppose your monopoly is taken by the Government.

A.—I approve of that. Of cours
our province Only I do not know
grow it themselves. For sentiment

Q.—In reply to question No. 75, you say "here also some diversity is inevitable Is there any harm in having a uniform rate all over India? What do you say to a rate of Rs. 80 per seer and no license fee?

A—It is not enough. The retail price in Bihar and Orissa is from Rs. 120 to Rs 140 It is a fixed price

Q—What do you think of the system of employing salaried vendors?

A—I have not heard of it before. But our system is getting rather like that. If the vendors remain for a long time in the shop and are compelled to be there during certain hours and sell at certain prices, it would be all right

Q—Do you make them cut up the cake and sell it in sealed packets?

A.—Yes.

Q.—Would you prefer having it cut up at the factory and packed by machinery?

A—Yes; but I do not know whether there will be any caste objections The proposal seems to be all right; but I should like to consider it in detail before I commit myself to any statement.

Q—Would you approve centralised action with regard to smuggling?

A—I think there should be some sort of Excise C. I. D.

Q—Have you seen the Report of Mr. Comber, a Burma Police Officer?

A.—No.

Q—Would you like to have a kind of central bureau?

A—Yes; some central bureau to keep us in touch with the other provinces

Q—I noticed one case of smuggling in your Administration Report in Hazaribagh What class of people were involved?

A—I think they were a superior class of people. The Deputy Commissioner himself had to go I do not think the principal was prosecuted

Q—Smuggling is getting into the hands of such a class?

A—Yes; several Europeans are said to be engaged in it, travelling in the first class by rail, so that detection is made very difficult

Q—Can you tell us anything about salt?

A.—I am only concerned with stopping of the manufacture of salt. I have nothing to do with the issue of salt.

Q—In the Administration Report of the Salt Department, I notice that the prices vary. For instance, it varies from 6 pies per seer in Khurda to Rs 0-2-2 in Kishangunj.

A.—Perhaps it is a different kind of salt. The salt consumed in one of the districts in Bihar which I last held charge of, came from Sambhar In Orissa it is altogether a different salt. I do not myself give any attention to salt prices I am purely concerned with preventing the manufacture of salt

Q.—You have stopped now the free manufacture that was allowed during the war?

A—Yes

Q—Have you had much difficulty in stopping it?

A.—No.

Q—With regard to registration, have all the fees been raised in 1922?

A.—Not all the fees There were no changes with regard to amounts up to Rs. 200

Q.—The result is that you made a profit of 13 lakhs?

A.—13 lakhs is the gross revenue. The expenditure was about 6 lakhs and hence the profits come to about 7 lakhs.

Q.—Do you think it is legitimate to make profits?

A.—Why not? It is a convenient form of taxation.

Q.—Is it a tax or fee for service rendered?

A.—I have only once heard that view that it is a fee for services rendered and that it should not exceed the expenditure. I think this was in one of the debates in the Legislative Assembly. In Bihar the Government has definitely repudiated that when they raised the fees, because the department was paying even before they raised the fees.

Q.—Is it because you render another service besides the mere act of registering?

A.—I think that was the reason they gave.

Q.—Does the expenditure you have mentioned include pensions and interest on capital cost of buildings?

A.—The latter item is not included. That would come in the Public Works Budget.

Q.—Would you approve of making the registration of all transactions relating to immovable property compulsory?

A.—I think that except in Chota Nagpur all such transactions are now registered.

Q.—Do you charge a fee for registering Muhammadan marriages?

A.—Yes; it is about a rupee.

Q.—Does the Government make a profit out of that?

A.—No. It goes to the Kazi for the services rendered by him. I do not think anything goes to the Government.

Q.—Would you approve a registration fee on all marriages? It has been recommended to us as a measure of taxation by one non-official witness after another. Say about one rupee for every marriage.

A.—I do not think it will be worth while to have one rupee.

Q.—That will bring in about 50 lakhs for the whole of India.

A.—I do not think it worth while to have it at one rupee.

Dr. Paranjpye. *Q*.—Now the population of your province would be about 40 millions, out of which 20 millions would be females and 20 millions males. One marriage to every 30 males for one generation would be, I think, a reasonable proportion for our calculation and that would bring in a revenue of 7 or 8 lakhs.

A.—It seems to me that you would require a big staff.

Q.—The village patwari will do that work.

A.—There is no patwari in this province.

Q.—There is the chowkidar.

A.—I would not entrust him with this collection. I do not think it is worth the trouble.

The President. *Q*.—You make a reference here to the malpractices. To what do you refer?

A.—There are professional deed-writers who write the documents. The Sub-Registrars and the clerks were receiving money from these people and we stopped that practice. We found that in Eastern Bengal and Assam they had a system of licensed deed-writers whose fees were fixed and who were given the privilege of access to the office. Anybody who is not licensed will not be allowed access to the Sub-Registration office and we were trying to have some such system.

Q.—These are the people who draw up the document before it is registered?

A.—Yes.

Q.—What is your process of charging for copies of documents?

A.—At so much for a page

Q.—How do you levy it?

A—In cash.

Q.—Do you have sheets of paper with stamps on the top?

A—I think so I cannot remember now. It is four years since I was in a district

Q—Do you find much evasion of stamp duties?

A.—Not exactly evasion I think it is more due to the great deal of ignorance of the correct stamp duty. Lately I have been directing the Sub-Registrars to be more careful in checking stamps.

Q.—What I ask is this. Is there scope of increasing the stamp revenue by insisting on a strict interpretation of law?

A.—Not so far as the documents coming for registration are concerned. I think on the whole there is no attempt to evade but due to ignorance in some cases we find a shortage.

Q.—When you came out to India, was there very much more evasion than at present?

A.—I cannot remember.

Q—Is there a great deal of exemption by executive order in respect of court-fees? For example, whenever the distiller puts in a petition to the Commissioner he has to affix a one anna stamp.

A—It may be

Q—At one stage we used to allow a large number of such petitions without stamp by executive order.

A—I never knew that.

10th March 1925.

PATNA.

PRESENT:

SIR CHARLES TODHUNTER, K.C.S.I., I C.S., *President.*
SIR PERCY THOMPSON, K B.E., C.B.
DR. R P PARANJPYE.

Mr. C. S. SAUNDERS, Executive Engineer, Sone Division, Bihar and Orissa, was examined.

Written memorandum of Mr. Saunders.

Q 15.—The charge for water supplied for irrigation in this province is lower than in other provinces and strictly speaking does really not seem adequate, but as the rates have been enhanced to their present value in Government Notification No. 8699-I, dated 31st August 1922, it is doubtful whether a further increase would receive favourable support at present.

The existing rates are as detailed below:—

Sone Canals.

	Rs.	A.	Per annum.
Long lease for 10 years' period	4	8	Per acre
Kharif season lease, 25th June to 25th October	5	0	"
Single watering *kharif*	2	8	"
Rabi season lease, 25th October to 25th March	3	8	"
Hot weather season lease, 26th March to 24th June	7	8	"
Hot weather season lease, 25th February to 25th May	7	8	"
Hot weather single watering during 26th March to 24th June	2	8	"
Water supplied by volume in *kharif*, 1st July—31st October per cubic foot per second for 12 hours	9	0	Per cubic foot.

Champaran Canals.

Tribeni Canal.

	Rs.	A.	
Long lease (10 years' period), 1st June to 31st October	8	0	Per acre.
Kharif season lease (10 years' period), 1st June to 31st October	4	0	"
Rabi season, 1st November—end of February . . .	2	0	"
Hot weather, 1st March—1st June	2	0	"
Rabi single watering on *kharif* lease area, 1st November—end of February	1	8	"

Dhaka and Teur Canals.

	Rs.	A.	
Long lease (10 years' period), 16th June—31st October .	3	0	Per acre.
Kharif season (10 years' period) 16th June—31st October	4	0	"
Rabi season, 1st November—end of February	2	0	"
Hot weather, 1st March—15th June . . .	5	0	"
Hot weather single watering, 1st March—15th June .	2	8	"

The water rate is fixed on the following principle —

The cost of all charges incurred by the cultivator is calculated, such as—

(1) Cost of rent per acre.
(2) Cost of seed necessary for sowing per acre.
(3) Cost of ploughing per acre
(4) Cost of sowing per acre
(5) Cost of transplanting per acre.
(6) Cost of weeding per acre
(7) Cost of cutting, carriage and threshing per acre
(8) Any other miscellaneous charges, such as supervision, manuring, etc., per acre

The sum total of these is added per acre and may be called " A "

The average amount realized by sale of grain per acre is determined, which may be called " B "

Then ' B ' *minus* ' A ' gives the profit per acre to the cultivator, which may be called " C "

On " C " a fair percentage is charged which is the canal water-rate.

Taking an example of purely *kharif* land, that is, on which rice only is down, and which is good average land under canal irrigation, I give the following figures which, as far as I know, are a fair average for the Sone Canals only

" A '—Rs 27 per acre (this includes a land rent of Rs. 7 per acre).

" B "—Realizations are—

	Rs
(1) Grain, 22 mds average per acre at, say, Rs 2-8 per md. selling value	55
(2) Straw, 50 mds. per acre value of which is, say . .	10
Total .	65

Net profit to cultivator = Rs 65—Rs. 27 = Rs. 38 per acre.

Water-rate for *kharif* season lease is Rs. 5 per acre.

∴ Percentage charged on cultivators' profit is approximately 13 per cent.

In the case of long leases, the cultivator has water supplied for both *rabi* and *kharif* at the reduced inclusive rate of Rs 4-8 per acre, and if he sows *rabi*, as he often does on the rice land, then he will make another Rs. 5 per acre profit as well. So the percentage charge levied for canal water will be less, namely, $\frac{4 \cdot 5 \times 100}{43} = 10 \cdot 4$ per cent. or say 10½ per cent.

In the case of good average purely *rabi* lands irrigated with canal water the net profit to the cultivator and canal percentage charges will be approximately the same, at any rate the canal percentage on the profit of the cultivator will not be higher.

In the case of hot weather, *i.e.*, sugarcane, the cultivators make a net profit with a good crop of anything from Rs 100 to Rs. 150 per acre. The canal charge is only Rs 7-8 per acre, so the percentage works out to from 5 per cent. to 7½ per cent

The figures only apply to the Sone Canals. In the other canals, the water-rates are even lower as previously detailed

Q. 15 (1) —I would levy the water-rates on a fair commercial basis, keeping in mind, at the same time, that the charge made for the supply does not exceed the economic value of water to the crops

The method of assessment and realization of water-rates as obtaining at present in this province seems preferable to the methods indicated in items (3), (4) and (5) of question No 15 (last part)

Q 16.—I consider that when land is brought under irrigation and increases largely in value thereby, it is only fair that the State should receive a portion of such increased value in return for its enterprise.

I am not in a position to suggest any proportion or how such proportion should be realized as this is beyond my scope as an Engineer.

Mr. Saunders gave oral evidence as follows :—

The President. *Q*—Would you mind giving us an idea of the nature of irrigation works in this part of the world?

A—The irrigation is chiefly what we term *kharif;* that is, simply the period when rice is grown entirely, and that goes on from 25th June to 25th October. The other season is called the *rabi* season, which extends from 25th October to 25th March. The *rabi* crops include wheat, peas, gram and crops of that sort. *Rabi* is the season when there is no rain at all. In the Punjab, the main watering is done in the cold weather. But here our main supply is during the rains. More water is required in the *kharif* season than in the [illegible] season. Sugarcane too comes in the hot weather, but that is a [illegible] vater [illegible] op it [illegible] table [illegible] *rabi* crops.

Q.—Rice is a crop that can be grown purely with rain water?

A—Yes. There are enormous areas to which we cannot supply canal water and which are entirely dependent on rainfall. The cultivators also make what are called "*charas,*" that is, a kind of temporary tank to impound the flow of rain water. Only fields below these *aharas* are commanded by this water. But since the introduction of the system of canals, the *aharas* are going out of existence.

Q.—Do you charge for the water taken in the *aharas?*

A.—No; we do not, as it is only rain water and not supplied by the canal.

Q—The theory in some provinces is that when a man collects the rain water and stores it, he prevents it from entering into a Government work and therefore he is charged.

A.—We do not charge for it here. But we charge for unauthorised irrigation, that is, whenever they take our canal water surreptitiously.

Q.—*Is the land swampy?*

A.—No. The soil is called *Lewal* which has a large percentage of clay in it.

Q.—Your irrigation is only supplementary?

A.—Yes, but now they have become so dependent on canal water that if there is a shortage of rainfall, their crops will be a failure unless they take the canal water. Canal water is really an insurance to them. Of course, there are times when they do not take canal water for weeks, that is, when there is enough rain. But when the rain ceases and when the fields begin to dry, then they take to canal water.

Q.—Don't you have the condition when the rice crop would always be standing in a few inches of water?

A.—Yes.

Q.—Then if you go on supplying the canal water, it cannot be too much because the water will be passing from field to field.

A.—But the lower fields would get swamped. That is the danger.

Q.—The area of land that can benefit by canal water is limited?

A.—Yes. As a matter of fact, we are fully leased out and we cannot take up any more leases.

Q.—You could not allow water to run on from field to field because ultimately the lands at the end will be damaged?

A.—Within the block it runs from field to field. There would be excessive water only if there is very heavy rainfall. We try to regulate our supply so that there would be only from 3 to 5 inches of water on the land. If there is rain and we also supply water from the canal, the water will reach 9 or 10 inches in the field, and that will have to pass to other lands. But we don't want to supply the unleased areas with surplus water because in times of stress we will not have enough water to supply our leased portions.

Sir Percy Thompson. *Q.*—Your trouble is the universal trouble, that when there is plenty of water nobody wants it, and when there is a shortage, everybody wants it.

A.—Yes, and it is borne out very strongly in our system here. They have got a horrible system of what they call *nigar*. In the *Utra nakchetra* they draw off all the water in their fields and they like to see their fields cracking, the idea being that if they have water on the land all the season, the crop will be spoiled by insects. Though that may, to a certain extent, be true they did not dare do that before canal irrigation came into existence. Perhaps they [illegible], they do now. They have [illegible] just before the *hathiya* w[illegible] water during the *hathiya*, then they are put to very great difficulty unless they take canal water. That is a very critical time and during that period, we would be working at a high pressure in order to distribute the water fairly all over the country, and it is a most extraordinarily difficult process.

The President. *Q.*—Your supply is constant?

A.—No, we are dependent upon the rainfall upcountry for our supply. The river drops very rapidly at times. We could irrigate a considerably bigger area, if they gave up this pernicious habit of drawing the water off their fields.

Q.—The water that is drawn off goes to the fields lower down. Do you charge them for the use of that water?

A.—That is only drainage water. It does not do very much benefit to these lands, and we do not charge them for it.

Dr Paranjpye. *Q.*—If there is no demand for water in the *kharif*, will not that water be used in the *rabi*?

A.—No, we cannot do that. We have a system of shutters and vents on the anicut, and we can only keep the water up to a certain level, the surplus above that level goes down the river.

Q.—You don't have irrigation works like those in the Bombay Presidency where the water is stored up and distributed afterwards when the necessity arises?

A.—No; we have not anything like that. There is only one project in the province where it is proposed to store up the water.

The President. *Q.*—During the *kharif*, do you grow what we call dry crops?

A.—No; there are no dry crops at all. What they do at the end of the *kharif* is to sow gram and other small pulses scattered in the paddy fields; and after the main crop is cut, they will have the second crop ready.

Q.—Is a lot of water wasted by the cultivators?

A.—Yes; a tremendous amount.

Q.—Have you any arrangement for getting at it?

A.—Yes. But at the same time if only they would co-operate, they could get far better results than they do now.

Q.—How do you work out your duty?

A.—It is based upon experiments. We take it that one cusec of water for rice irrigation will irrigate approximately 100 bighas.

Q.—That is the same as in the Punjab?

A.—Yes, practically the same.

Q.—That is, you let the water into the canals according to that principle?

A.—Yes. The whole area is measured up. First of all we have our applications coming in. The area which is irrigated is divided into two leases, one the long lease system, where it is divided into blocks to which we can supply water regularly. They have the priority of claim for the water. The second is the season lease where there is also the block system; but if there is a shortage of water, the long lease blocks get the water first and the others afterwards. Thirdly, there are also lands which only require a single watering. All these fields are measured up accurately and surveyed, and we know all the areas from our maps. With regard to the long lease, as long as the lease is in force, they do not have to apply for water, and all that they have to do is to let the Subdivisional Officer know when they want water. The application has to be made only when the long lease expires or when a new lease is required.

Q.—Is the application made on a stamped paper?

A.—No. They do it on an ordinary bit of paper. We have also some prescribed forms, but we do not insist on them. The long lease is generally for a period of ten years, and during that period, they are entitled to water whenever they want it, from 25th June to 25th March.

Q.—Is it a very valuable privilege to get a long lease?

A.—Yes.

Q.—Do they pay for getting the lease?

A.—No.

Q.—In Madras we have a system under which we charge what is called an inclusion fee.

A.—Here it is not the case. On the other hand people with long leases get the water at reduced rates.

Dr. Paranjpye. *Q.*—But they pay whether they want the water or not. [illegible] watering and Rs. 4 for the whole year?

[illegible] five-day
[illegible] 10 days
[illegible] it; and
[illegible] have it.
[illegible] all blocks.

This enables us to irrigate a much bigger area than we would be able to do, if we gave a continuous supply for the whole 15 days. We find this system works very successfully.

The President Q —You could charge a good deal more for the water?

A —In my opinion our rates are low compared with those in the other provinces. But as we had changed them at least twice during the last seven or eight years, the last time being in 1922-23, there is not much chance of any increases at present.

Q —That is, the Council won't pass it?

A —Yes.

Dr Paranjpye. Q —Are the leases renewed?

A —Yes, as a rule. We never refuse the lease as long as we have nothing against the cultivators It is renewed as a matter of course, and there is no trouble about that. But if, for instance, they intentionally allow water to run from the long lease areas to areas adjoining them, which are not under lease, then they are liable to have their long lease cancelled for a term of years.

The President. Q —Is there very great competition to get the long lease?

A —Yes, everybody wants it But we cannot grant all applications. That implies a guarantee of water and they get remission of water rates if there is failure of supply. It is an absolute guarantee.

Q.—Does not the man get an unearned increment on account of the long lease?

A —Yes; there is no doubt about it

Q. You have given the rates and you show that the percentage, which you take out of the cultivator's profit, varies from 13 to 5.

A Yes.

Sir Percy Thompson —Q Your rates are proportionate to the whole profit and not to the extra profit?

A —Yes

Dr Paranjpye Q —You say "the net profit to the cultivator is Rs 38 per acre the water rate is Rs 5" But if his profit without water would be, say Rs. 36, why should he take the water by paying Rs. 5?

A —But it would not be so much without water. The difference will be much more, though I cannot give you the actual figures now.

Q —What is the average profit spread over a period of ten years?

A —I cannot say that, that is more for the Collector to say.

Q —When you propose these rates, that should obviously be the basis?

A —Yes, we get our figures from the Collector. He would be able to give us the figures We are only concerned with the profits that are made on the irrigated areas at present

Q —You take the average for ten years?

A —Yes [illegible] to get his crop and [illegible] I have given the rer[illegible] he way I have mentioned and we take a certain percentage on his profit.

Q —You give us an estimate of the cost of cultivation and the very first item you mention is "cost of rent per acre" Now suppose you charge a higher rate for water Would the tendency be for a lowering of this rent?

A.—I do not know. We have nothing to do with rents

Q.—Is the excess profit made on account of the low rates directly pocketed by the landholder?

A.—If the landholder considers that the man is making a bigger profit than what the landholder considers should be got, he will raise the rent within his limits.

Q—You have put in eight items to show all the charges incurred by the cultivator Do you include in it the expenses of living of his family?

A—Yes, certainly these are just the average figures. Supervision charge is allowed for the man who cultivates.

Q—Does it include the reasonable cost of living of the tenant?

A—Yes.

Sir Percy Thompson *Q*.—Do you mean you have included the expenses of keeping up a family in the figure of Rs. 38 per acre?

A—We cannot take into account the expenses of the family. These are based more or less on the cost of the people who are occupied in the cultivation It is impossible to base any system on the cost of feeding all the dependents of a particular cultivator.

Q.—Does it include cost of feeding the family?

A.—It does. By family I mean a very small family, chiefly the persons concerned in looking after the field

Dr. Paranjpye. *Q*—How many acres would an average cultivator cultivate?

A—It is rather difficult to say. I have not studied the question.

Q.—What is the average size of a holding which a tenant can cultivate?

A.—It is anything from a bigha to 30 bighas

Q—He could himself look after the holding only hiring labourers on exceptional occasions

A—I am not prepared to give an answer to that. I must admit I have never gone into the question. I would not commit myself to any answer

Q—According to your rate if a man is cultivating ten acres, then it would mean it would cost him Rs 380 including expenses for the family. If the average holding were to be two acres, then it would mean according to your rates that the cost of cultivation would be Rs 54 including family expenses.

A.—I do not profess to be absolutely accurate.

Q—Just let me know your impression as to what is the average holding which would reasonably be cultivated by a tenant.

A—I cannot reply to that because I have never gone into that question, and I would not agree to commit myself But any Collector can answer that question because they come in contact with the revenue side of the subject. I am concerned only with the supply of water and the preparation of the bills for water taken.

Q—When a tenant asks you for water, he specifies the number of acres?

A.—It varies from one bigha to 10 or 15 bighas. He may have brothers to help him and he may not entirely be doing the work himself

Q.—One bigha is how many acres?

A.—Five-eighths of an acre.

Sir Percy Thompson. *Q*.—I am not quite sure that the cost of maintenance of the family is included in the charges.

A.—I would change my view about that. We base that on the cost of superintendence We calculate the number of men that are engaged in work or the number of men employed, and accordingly allow that as the cost of maintenance. As for the family I would rather omit them altogether.

The President. *Q*.—In the case of irrigation enterprises, should one canal pay for the one that is working at a loss?

A—Each canal pays its own way. In some canals we don't expect to make any profit, in general it is expected to pay 5 per cent. We do not expect to have any loss from new works. Each canal is distinctly separate.

Q—You do not think that profits made out of irrigation should go to the extension of irrigation?

A.—It is a business concern up to a certain point. If you were to run it as a business, you could charge more. But at the same time we have to consider the condition of the cultivators. We do not want to harass them too much and grind them too much While taking a small profit, we take care to see that the cultivator's capacity to pay is not exceeded.

Q.—If you ran it as a business concern without raising the rates to the extent beyond which the cultivators would refuse to take water, can you extend irrigation?

A.—The extension of irrigation is entirely governed by the amount of water that we get at the head works

Q—There are some schemes that are held over for want of money.

A.—There are schemes here and there. But I do not think it is possible to extend the irrigation system greatly

Q—Is not the general tax-payer paying for the benefit of others because the whole thing is worked at a loss?

A.—I will not go so far as that The system is not run at a loss. The Sone canals are paying their way

Q.—*You must include the interest charges?*

A—Yes

Q.—Supposing all the canals are working at a loss, the general tax-payer is paying and not getting any benefit?

A.—Such a question has never arisen so far as I know. The question of land revenue will then come in.

Q—Your land revenue is fixed?

A.—Yes.

Q—You supply water at a loss at the cost of the general tax-payer.

A—Yes; at the same time some canals are protective works. If in a particular locality there were to be no canals, you might get a bad famine. In such cases, the State will have to pay very heavily This will counterbalance it.

Q—The main works are the Sone canals?

A—Yes

Q—The Sone canals are just paying their way?

A.—Yes.

Q.—Are the Orissa canals paying as navigation canals?

A—I have never been to Orissa. As far as I know there is one canal which is navigable Others are for navigation and irrigation. The canals intended solely for irrigation are very few.

Q.—Does navigation pay its way?

A.—They expected far more than has been realised. It is a pity that the canals were designed for irrigation and navigation, because it is not at all a good system It is wasteful from the irrigation point of view. If it was purely irrigation, then it would irrigate a far greater area

Q.—The Tribeni canal is a losing concern?

A.—Yes. It is purely a protective work against famine. It was never intended to be a productive work

Q—Is there any chance of its being made productive?

A.—No chance for a great many years.

Q.—Sir Hugh McPherson in a debate stated that it is the contention of Government that there should be a profit to cover at least the interest on the capital

A.—That is what we try to aim at.

Q.—You don't take the view that you have simply to pay the capital cost.

A.—No; in all new schemes we must show a profit, except in the case of a canal which is designed purely as a protective work.

Q.—Is the position of the cultivator considered?

A.—We are concerned with the person who actually pays the water rate. Sometimes the landlord is the cultivator himself. Ordinarily, I am not in sympathy with the landlord because the landlords are inclined to take too much from the tenants

Q.—The landlord may get much unearned increment which cannot come to you.

A.—Yes.

Q.—You have not tried to find a way to get it?

A.—No

Sir Percy Thompson. *Q.*—In the Sone canal you supply water by volume?

A.—Only for filling tanks for domestic purposes.

Dr. Paranjpye *Q.*—In one place it was represented to us that the charges for canal water could be settled by finding out the cost of raising water from wells. Is there any such practice in Bihar?

A. I suppose there is, but I have never considered that question.

Mr. M. G. HALLETT, I.C.S., District Magistrate and Collector, Gaya, was next examined.

Written memorandum of Mr. Hallett.

1. Before proceeding to answer the specific questions put by the Committee it is desirable to give a short account of the system of local taxation in force in the province of Bihar and Orissa with special reference in the case of municipal taxation to the provisions of the Municipal Acts now and previously in force.

2 The income of District Boards which are responsible for the administration of rural areas is derived almost entirely from a cess on the annual value of lands, without going into unnecessary detail it is sufficient for present purposes to say that each cultivating raiyat pays to the landlords one anna per rupee of the rent payable by him, the landlord pays to Government one anna in the rupee less one anna for every rupee payable by him to Government as revenue. In all districts in this province the rate is levied at the full rate Apart from this, the only form of taxation which a District Board can impose is a toll on bridges; the provisions of the Local Self-Government Act do not permit the imposition of a toll on roads. Union Committees, which are established principally with a view to improving the sanitary conditions of the larger villages and bazars and which are subordinate to District Boards, can impose a personal tax, the maximum of which is Rs. 60 per year, while the Village Administration Act passed in 1922 contemplates the formation of similar bodies in purely rural areas and empowers them to impose a similar tax. The income derived from these sources being entirely inadequate for the duties impose [illegible] mented principally by means of grants *e.g.*, for the construction of particular [illegible]

tax were considerably reduced and it was also made compulsory for a District

Board to make a grant to the Union Board equal to the amount raised by taxation Fortunately during the last ten or fifteen years, the Provincial Government has been in a position to make liberal grants to local bodies, and hence the problem of supplementing the resources of the boards by means of taxation has not come prominently forward

3 Municipal taxation stands in a different footing and it may not be out of place to trace briefly its development In the early days of the British rule town duties which were of the nature of an octroi and which had been a source of revenue before the days of the British rule, were re-imposed by Regulation X of 1810, but this tax supplemented by a tax on the rental value of the house and shops imposed by Regulation X of 1810 was not appropriated to local needs but was credited to the general revenues. A few years later a tax on persons assessed by a panchayat was imposed to meet the cost of chaukidars in some of the larger towns and by Act XV of 1837 some portion of this tax could be spent on the municipal functions in cleaning and repairing the towns in which the tax was levied Of these three taxes, the tax on rental value of houses and the tax on persons have been reproduced as alternative methods of municipal taxation and still from the chief source of income of the municipalities of Bengal and Bihar and Orissa The octroi has not found a place in the Acts in force previous to the passing of the Bihar and Orissa Municipal Act, 1923, which empowers a municipality to impose any of the taxes detailed in Schedule II of the Schedule Taxes Rules. Act X of 1842 definitely introduced the system of making a tax on the annual value of holdings, the principal source of municipal income, therein following the English precedent it also first gave powers to impose a tax on luxuries such as elephants, carriages, carts and horses. In addition to these taxes the present Act following the provisions of the Bengal Municipal Act of 1881 enables a municipality to impose additional taxes on the annual value of holdings, to meet expenditure incurred on special objects such as the cleaning of private latrines, the provision of a piped water-supply and street lighting by gas or electricity Of these the first, the latrine tax, is in force in most towns of the province, the second, the water tax, is in force in some five or six of the larger towns which have been helped by grants from Government or donation from private individuals to install a piped water system, while the third the lighting tax, has not yet been imposed in this province. Like the holding tax the rate of these latrine and water taxes is limited to 7½ per cent of the annual value of the holdings, while the lighting tax is limited to 3 per cent If therefore all these taxes were in force, and the need for funds justified the imposition at the full rate, the total tax would be 25 per cent of the annual value of holdings The remaining taxes, *e.g.*, on dogs, are of little importance from the point of view of income; this tax and the license fee on offensive and dangerous trades are intended primarily to enable the Municipality to control these trades or to take steps to prevent rabies. In any case they do not make any marked addition to the municipal income. Similarly the fees on vehicles plying for hire are intended mainly as a measure of control though under present conditions with the large increase in the number of motor vehicles plying for hire, they may be used as a method of indirect taxation which will bring some appreciable addition to the exiguous income of municipalities.

Q 107—4. The list of taxes included in Schedule II of the Scheduled Taxes Rules appears to give local bodies sufficient scope in the matter of taxation. Some of the taxes proposed are entirely unsuitable to the local conditions in the municipalities of this province, *e.g.*, a tax on menials and domestic servants, while if I am correct in the interpretation of these rules, there is one important respect in which these rules require modification. Though an octroi is permitted, a terminal tax is only leviable on goods imported into a local area in which an octroi was levied on or before July 6th, 1917, a terminal tax by which presumably is meant a tax levied only on goods imported by rail and not on goods imported by road or river would therefore not be leviable in this province. In my opinion such a tax would be a very suitable form of indirect taxation in many towns of this province. Though I have no personal experience of the octroi system, it is open to the

objections mentioned in the quotation given in question No. 109; collection is difficult and may lead to extortion and other abuses. On the other hand, a tax levied on articles imported by rail is easy to collect, and if levied on luxuries or semi-luxuries such as kerosene oil and cloth and not on articles of food, it is not open to the objection that its incidence is heaviest on the poor. It does not appear to me to be impossible to devise a graded scale whereby the tax will fall principally on the consumers who are most capable of paying and as I have pointed out in reply to question No. 106, the criteria to be applied in the case of local taxes in this province must for some time to come be ability to pay, not benefits received It may be argued that a terminal tax on semi-luxuries such as kerosine oil and cloth if imposed by a municipality would be paid in the end by consumers not resident in the municipal area. This is to some extent valid, but the efficient administration of municipalities especially those at district headquarters, benefits a much larger circle than those resident within municipal limits, for instance, statistics will show that a large and efficient hospital at a district headquarters treats a far larger number of patients from rural than urban areas, while in the special case of centres of pilgrimage such as Gaya, there is every reason why temporary visitors should pay for a high standard of municipal administration. Indirect taxation is undoubtedly more popular in India than direct taxation and is in many respects more suitable and I am strongly of opinion that though some form of direct taxation, *e g*, a tax on holdings must form the nucleus of municipal income, yet it must be supplemented by some indirect taxation such as a terminal tax or failing that an octroi—without the supplement, the income obtained will never be sufficient to enable municipal administration to be carried out even with a moderate degree of efficiency. I have given in reply to question No 113 my reason for holding that a tax on the land values cannot be indefinitely increased. I see no reason why a terminal tax should not also be used to supplement the income of District Boards and other bodies responsible for the administration of rural areas. It would appear perfectly justifiable to impose a tax on goods arriving at a station serving a large number of markets in a rural area.

Q. 108.—5. (*a*) The cess on land which provides the income of District Boards is in my opinion entirely satisfactory from the economic point of view Being levied on the annual value of land, which is calculated by reference to the rent paid by the actual cultivator of the land, the amount of the cess is in proportion to the ability of the cess-payer to pay. It may not, however, be [illegible]
cess per acre of c[illegible]
owing to the fact [illegible]
might be put for[illegible]
acreage basis inst[illegible]
cess at the present rates is by no means severe, there appears no reason for modifying the present system or adopting a system of assessment which would be much more complex and would involve an elaborate calculation of land values. Under the present system of land revenue, the collection of cess is [illegible] n may be said to distribute the [illegible] to be easily collected. It thus [illegible]

(*b*) I have no personal knowledge either of the octroi or terminal tax on goods. There is however in force at Gaya a terminal tax on all passengers by rail arriving at or departing from Gaya station, the proceeds of which are intended to be devoted to the improvement of the accommodation provided for pilgrims. This is a simple form of indirect taxation which has much to commend it. This incidence is hardly felt; it is collected without any difficulty by the railway companies and it yields a substantial income.

(*c*) The main source of municipal income, the tax on the annual value of holdings is by no means so satisfactory as the cess on land in rural areas. Though I do not however [illegible]
I have given in reply to q[illegible]
the rate of tax to an exte[illegible]
cient for their duties. It [illegible]

exceeding 20s. in the £, yet unless the income of municipalities is increased, their administration will never be satisfactory. It is for this reason that I have suggested that keeping the tax on holdings as a nucleus, the terminal tax should be used to supplement the income.

6. My reasons for considering the tax on holdings to be unsatisfactory in India or at least in the towns of the province are as follows —The annual value of a holding is calculated with reference to the annual rent or the cost of construction of the building and the ground rent In most provincial [illegible] r than [illegible] The [illegible] ne objection to a tax on holdings even in England "Nor of course is one justified in assuming that the annual value of their fixed property is an index of the ability of the tax-payers to contribute to the rates It is probably broadly true that a man occupying a large house is usually better off than a man occupying a smaller house but he may be compelled to occupy the larger house because of a large family and there is certainly no reason to think that tax-paying ability varies according to the rent paid The most that can be said for the system on the grounds of enquiry is that it affords some rough compromise between the two ideas of paying according to benefits received (occupiers probably deriving benefit from local expenditure) and paying according to the tax-paying ability (the heaviest payment probably falls on the wealthiest)." In India the inequity of the tax is even more marked. As I have said above in the case of municipal taxes the criteria should be rather ability to pay than benefit received. Cases are not uncommon in which an impoverished family live in a large house and with difficulty pay the tax assessed; on the other hand a shop keeper owning or occupying a small shop is far *wealthier than the owners of many large houses.*

7. In view of this inequity it is not desirable to levy the tax at a very high rate Again a tax on land value is suitable for towns in which land values are on the increase owing to the demand for land for residences, factories, shops, etc. Such a demand exists if there are flourishing industries which attract population to the town, and when there is a rapid increase in land values, the local authority can equitably take a large share of the increase and thereby secure an adequate income But the towns of Bihar and Orissa have no industries, the population is not on the increase and there is little or no demand for land A tax on holdings though suitable in English towns or in Calcutta or Bombay is thus unsuitable to the conditions of decadent towns of which there are many in this province.

Qs. 109 and 110 —8. I have no personal experience of the octroi or ter- [illegible] ıal tax if levied [illegible] dian conditions. [illegible] is to be found [illegible] ect tax are far [illegible] rally prefer an indirect tax to a direct tax.

[illegible] ed in India, and should [illegible] reason for holding the [illegible] tes would be established [illegible] *directly contributed to* [illegible] cess on land. It is also [illegible] and other corrupt prac- [illegible] toll undoubtedly causes [illegible] vicinity of the toll gate, especially in distant rural areas, while if it imposed on roads on which the traffic is heavy, it may tend to decrease the traffic and so hinder the development of trade

Q. 112.—10 The question whether the cess on land should be levied in whole or in part from the owners trenches on the difficult question of the Permanent Settlement, in this part of India The present system whereby the cess is paid half by the occupier and half by the owner is suitable as long

A.—I have got the settlement report of the Gaya district in my hand.

3 6 acres is the average size of a holding for the whole district. In this particular canal irrigated area, it is probably slightly higher; say four to five acres

Q.—According to Mr. Saunders the cost of cultivation per acre is Rs. 27. How much would you allow for the first seven items he has mentioned?

A—I am afraid I do not know exactly what the cost of cultivation would be. But I am inclined to think that the estimate is a bit on the low side. In calculating the cost of cultivation whether hired labour is employed or the members of the household attend to the work, the money value of either should be taken into consideration.

Q.—That household has to be fed and maintained?

A.—Yes.

Sir Percy Thompson. Q.—Let us take the case of a holding of one acre. You would not charge the maintenance of the whole family on that

A.—The holding would be inadequate for the family which would have to be supported from some other source also. You will have to calculate the amount of labour necessary for the cultivation of the one acre.

Dr Paranjpye. Q—That is why I wanted to know the average holding. I wanted to take an average family's work and the amount that could be allowed for cost of maintenance of that family.

A.—As far as my experience of this district goes, *i e*, during the last four months, that part of the district where they have canal irrigation is considerably better off than those parts where there is no canal irrigation, although the rents are higher there than in other parts of the district, and although they have to pay canal rate.

Q—Supposing you increase the water-rate, would it to that extent diminish the profits?

A—Yes, consequently the tenant's ability to pay rent to the landlord would be reduced.

Q—If the rate were to be increased, will it have to be paid by the landlord or the tenant?

A—We must consider two different cases. We have produce rent and cash rent In the case of the produce rent, the produce is divided equally, half and half, and the water-rate is also divided equally between the landlord and the tenant. When it is cash rent, the water-rate is paid by the tenant. So that if the water-rate was raised in the case of the cash rent, the profit of the tenant would be reduced, and the profit of the landlord would not be affected at all

Sir Percy Thompson Q.—If the water-rate is less than the real value of water, will not the landlord immediately put up the rent?

A.—All these people have got occupancy rights and their rent cannot be easily raised.

Q.—Occupancy rent is considerably lower than free rent?

A—I am not prepared to give a definite opinion on that. Rents in this particular area are rather high, and may be nearly as high as a free rent

Dr. Paranjpye. Q.—Is the landlord entitled to increase the rent in the case of the occupancy tenants?

A.—No. It is only after the stipulated period is over that the landlord can increase the rent. Certain conditions also have to be fulfilled before the increase is made.

Sir Percy Thompson. Q.—You say that the cultivating raiyat pays road cess to the landlord at one anna per rupee of the rent. The landlord pays to Government less than one anna per rupee.

A.—There is a mistake there. It should be half an anna instead of one anna.

Q.—Even then it is possible for the landlord to make a profit out of the cess?

A.—It may be But I do not think that such a case ever happens.

The President. *Q*—Can you tell us what the land revenue of Bihar is?

A.—Not off-hand About two crores.

Sir Percy Thompson. *Q*—Is it not wrong that the cess should be levied from the owner at all, it is the occupier who gets the benefit

A—I personally see no objection to levying cess, if the rate is raised, from the occupier who gets the main benefit, except that it is directly opposite to the existing principle The existing principle is half and half between the landlord and the tenant. By making the cultivating tenant wholly responsible, you are introducing a different principle.

Q.—Is it not the same thing in the case of the house tax also?

A.—In the majority of cases it is the occupier that pays

Q.—Is a record kept of all the rentals for the purpose of assessing cess?

A.—The landlord files a statement of his rents and it is checked by the assessment authority, who is the Collector All the cash rents are recorded, of course in the settlement record of rights, so that it is an easy matter to ascertain what the cash rents are by reference to that record.

The President *Q*—Is that kept up-to-date?

A.—No The theory is that it was to be revised after the period of 15 or 20 years, but the Council has refused funds for the revision operations.

Dr. Paranjpye *Q.*—What happens in the case of sub-infeudation?

A.—I cannot give you a detailed answer without referring to the Cess Manual

The President *Q.*—These rents are settled by the Settlement Officer?

A.—Yes. They are generally recorded by the Settlement Officer under the Tenancy Act

Q—The landlord has power to alter the rents so settled?

A.—He can bring a suit in a court for enhancement of rent under certain conditions and after a certain period.

Q—He cannot alter the rent without a suit?

A—He can also enhance on contract, but subject to certain limitations as to time and amount.

Q.—So that the assessment may be made on a rental which is considerably less than the actual?

A.—In that case an enquiry will be made to ascertain whether any large increase had been made If the settlement record is an old one, you would certainly take steps to ascertain whether the rental in the settlement record was correct at the time the valuation was made.

Q—Could we take the present collection of cess as giving us a proper index to the total rental of the province? Is it sufficiently accurate?

A—I think you could But I am not prepared to be very definite on the point.

Q—I suppose the cess does not include the landlord's other income.

A.—The cess is assessed on the *sairat* income over and above the rented area.

Q.—In the case of the Village Administration Act I see you say that the limits of the personal tax were considerably reduced, and that it was prescribed that the District Board should make grants to the Union equal to the amount raised by taxation Is not that likely to be very embarrassing later on?

A—Extremely.

Q—The powers for taxation of a Union Board are very small?

A—Yes. I admit it might become very embarrassing if the cess was spent purely on the local services and was not available for the general services of the district

A.—I have got the settlement report of the Gaya district in my hand.

3 6 acres is the average size of a holding for the whole district. In this particular canal irrigated area, it is probably slightly higher; say four to five acres.

Q.—According to Mr. Saunders the cost of cultivation per acre is Rs. 27. How much would you allow for the first seven items he has mentioned?

A—I am afraid I do not know exactly what the cost of cultivation would be. But I am inclined to think that the estimate is a bit on the low side In calculating the cost of cultivation whether hired labour is employed or the members of the household attend to the work, the money value of either should be taken into consideration.

Q—That household has to be fed and maintained?

A.—Yes.

Sir Percy Thompson. Q.—Let us take the case of a holding of one acre. You would not charge the maintenance of the whole family on that.

A.—The holding would be inadequate for the family which would have to be supported from some other source also. You will have to calculate the amount of labour necessary for the cultivation of the one acre.

Dr. Paranjpye. Q.—That is why I wanted to know the average holding. I wanted to take an average family's work and the amount that could be allowed for cost of maintenance of that family.

have to pay canal rate.

Q.—Supposing you increase the water-rate, would it to that extent diminish the profits?

A—Yes, consequently the tenant's ability to pay rent to the landlord would be reduced.

Q—If the rate were to be increased, will it have to be paid by the landlord or the tenant?

A.—We must consider two different cases. We have produce rent and cash rent. In the case of the produce rent, the produce is divided equally, half and half, [illegible] landlord and the tenar[illegible] tenant. So that if th[illegible] profit of the tenant w[illegible]ot be affected at all

Sir Percy Thompson. Q.—If the water-rate is less than the real value of water, will not the landlord immediately put up the rent?

A.—All these people have got occupancy rights and their rent cannot be easily raised.

Q—Occupancy rent is considerably lower than free rent?

A—I am not prepared to give a definite opinion on that. Rents in this particular area are rather high, and may be nearly as high as a free rent

Dr. Paranjpye. Q.—Is the landlord entitled to increase the rent in the case of the occupancy tenants?

A.—No. It is only after the stipulated period is over that the landlord can increase the rent. Certain conditions also have to be fulfilled before the increase is made.

Sir Percy Thompson. Q.—You say that the cultivating raiyat pays road cess to the landlord at one anna per rupee of the rent. The landlord pays to Government less than one anna per rupee.

A.—There is a mistake there. It should be half an anna instead of one anna.

Q.—Even then it is possible for the landlord to make a profit out of the cess?

A.—It may be But I do not think that such a case ever happens

The President. *Q*—Can you tell us what the land revenue of Bihar is?

A.—Not off-hand. About two crores

Sir Percy Thompson *Q*—Is it not wrong that the cess should be levied from the owner at all, it is the occupier who gets the benefit

A.—I personally see no objection to levying cess, if the rate is raised, from the occupier who gets the main benefit, except that it is directly opposite to the existing principle The existing principle is half and half between the landlord and the tenant By making the cultivating tenant wholly responsible, you are introducing a different principle

Q.—Is it not the same thing in the case of the house tax also?

A—In the majority of cases it is the occupier that pays.

Q.—Is a record kept of all the rentals for the purpose of assessing cess?

A—The landlord files a statement of his rents and it is checked by the assessment authority, who is the Collector All the cash rents are recorded, of course in the settlement record of rights so that it is an easy matter to ascertain what the cash rents are by reference to that record.

The President *Q*—Is that kept up-to-date?

A.—No The theory is that it was to be revised after the period of 15 or 20 years, but the Council has refused funds for the revision operations.

Dr. Paranjpye. *Q.*—What happens in the case of sub-infeudation?

A—I cannot give you a detailed answer without referring to the Cess Manual

The President *Q*—These rents are settled by the Settlement Officer?

A—Yes They are generally recorded by the Settlement Officer under the Tenancy Act.

Q—The landlord has power to alter the rents so settled?

A—He can bring a suit in a court for enhancement of rent under certain conditions and after a certain period

Q—He cannot alter the rent without a suit?

A.—He can also enhance on contract; but subject to certain limitations as to time and amount.

Q.—So that the assessment may be made on a rental which is considerably less than the actual?

A.—In that case an enquiry will be made to ascertain whether any large increase had been made If the settlement record is an old one, you would certainly take steps to ascertain whether the rental in the settlement record was correct at the time the valuation was made.

Q—Could we take the present collection of cess as giving us a proper index to the total rental of the province? Is it sufficiently accurate?

A—I think you could But I am not prepared to be very definite on the point

Q—I suppose the cess does not include the landlord's other income

A.—The cess is assessed on the *sairat* income over and above the rented area

Q—In the case of the Village Administration Act I see you say that the limits of the personal tax were considerably reduced, and that it was prescribed that the District Board should make grants to the Union equal to the amount raised by taxation Is not that likely to be very embarrassing later on?

A—Extremely.

Q—The powers for taxation of a Union Board are very small?

A—Yes. I admit it might become very embarrassing if the cess was spent purely on the local services and was not available for the general services of the district.

Q.—The distribution of the grants is according to the population and the cess income per head of population. Surely the more sparsely populated the district is, the more difficult it is to keep up the roads.

A.—This particular system is only in regard to grants for education and medical relief It is not with reference to construction of roads. The poorer the District Boards, the larger the grants given

Q.—You say that Government has been in a position to make liberal grants to local bodies and hence the problem of supplementing the resources of the boards by means of taxation has not come forward prominently.

A.—Yes, we have been well off for the last few years.

Sir Percy Thompson. *Q*—Does the tax on persons for chowkidari purposes work satisfactorily?

A—On the whole it can be said it works satisfactorily, though the richer people do not pay proportionately and the maximum is very low.

Q.—The chowkidari tax is really a provincial assessment?

A—Yes, it is made by chowkidari panchayats who are appointed by the Sub-Divisional Officers or the District Magistrates, and they are responsible for the assessment and collection

Q—They are responsible to the provincial authority and not to the local authority?

A—Yes They are responsible to the District Magistrate.

Q.—In the case of chowkidari tax, it does not come into the provincial accounts at all?

A.—No.

Q—What I ask you is that Provincial Government has nothing to do with it?

A—It has nothing to do, except to see that it is realised and properly distributed.

Q.—The panchayat takes 10 per cent for the cost of collection.

A.—Yes.

Q—You advocate octroi as an additional source of municipal taxation?

A—As I have said, I have no sufficient personal knowledge of octroi to be able to give a definite opinion What I find is that it is very difficult to get a municipality to impose a [illegible]
the imposition of octroi M[illegible]
they find that public opinio[illegible]
tion though they are entitl[illegible]
resort to the imposition of o[illegible]

Q—You don't agree that the house tax in India is a very satisfactory tax because it to some extent, as in England, measures the ability to pay?

A.—No, the house tax in India does not represent ability to pay and hence it is more resented than an indirect tax.

Q.—What is your view about octroi? Do you think it is a sound tax?

A.—I have never had any opportunity of seeing the working of octroi myself. I quite recognise all the difficulties of collection of octroi. For that reason I said in my note that a tax on goods arriving by railway would be easier to collect and would be preferable to octroi levied on all goods coming in from the surrounding areas.

Q.—How would you prevent the municipal boards from thus shifting the burden of taxation on to the poor?

A.—That, of course, would be difficult, but if the scale of octroi has to be sanctioned by Government, that would be some safeguard. I quite agree that there is the risk of their putting on the octroi and reducing the house tax. When I talked about the terminal tax, I had in mind a tax on articles such as cloth and kerosine oil. There is a tremendous amount of it that comes in through a big headquarters town.

The President. Q.—You say that in the district of Gaya the rate of cess on cultivated land is considerably higher than in other districts. Why is it so?

A.—One reason is that cash rents are higher than in other districts, but whether this is due to higher productivity of the land, I am unable to say. It is partly due to the very large percentage of the total area held on produce rent. In calculating that a very high valuation was taken

Q.—Do you get sufficient return out of non-agricultural lands? For instance in Gaya, do not outsiders keep houses in Gaya, as they do in Benares?

A.—No

Q.—The terminal tax on passengers is handed over to the board?

A.—No. It is levied by a separate body called the Lodging-house Committee

Q.—You cannot use the pilgrim tax for the general sanitation of the town?

A.—No. The two bodies are different

Q.—You make an important point about tolls, your objection against this is that it will have to be paid by the people who are already paying land revenue and cess?

A.—In the outlying areas that is exactly the position.

Q.—Is the toll money earmarked?

A.—It goes to the District Board But you cannot recover more than the cost of the bridge, and when that is recovered, the toll must be discontinued.

Q.—Could you tell us why the revenue from local rates have risen so enormously within the last ten years? The revenue has risen from 23½ lakhs to 76 lakhs since 1912-13

A.—Originally the Public Works cess went to Government and only the road cess went to the District Boards The 23½ lakhs presumably includes the road cess only.

Q.—In the colliery areas, is there any provision which requires that all the cesses on coal mines should go to the benefit of the population of the local area?

A.—That has always been a difficulty in Manbhum. The whole of the cesses on mines is realised in Dhanbad subdivision, but a certain amount of this cess is spent on the rest of the district It has always been a source of dispute between the two parts of the district.

Q.—Is that the case with the Jharia Board of Health cess?

A.—No, both the cess imposed by the Jharia Mines Board of Health and that imposed by the Jharia Water Board are raised and spent locally in that area.

Q.—Do you know of the Bengal Retrenchment Committee's proposals?

A.—No.

Q.—One main feature of their proposals was that since local bodies have power to increase the tax on land and Government have no such power, certain functions should be transferred from Government to local bodies and these should pay for them from the increased cess.

A.—No such policy is adopted here.

Q.—In answer to Question No 115, you say that land within municipal limits in Bihar and Orissa has little or no undeveloped value. Has it no value at all?

A.—Waste land within a municipality has a very small value in this province.

Sir Percy Thompson. Q.—Take, for instance, land which has been agricultural and which is included in the municipal area. What happens to that?

A.—In most municipalities it is assessed to a small holding tax.

Q.—A piece of agricultural land, which is probably worth only one-fourth of the sum that it would be worth when a building is erected on it does not pay any more than land revenue?

A.—No.

Q.—The whole increment goes to the owner?

A —Yes.

The President. *Q.*—In reply to question No. 116, you propose a personal tax, would not this be in addition to the chowkidari tax?

A.—I say that it might be levied in the form of a local income-tax which I understand is imposed in some cases in continental countries.

Q.—Would not the simplest thing be to double the chowkidari tax?

A.—I want to get at the wealthiest of the trading classes who pay the income-tax.

Q.—Would you like to have it assessed by the income-tax authorities?

A.—Yes, that would simplify the question of assessment and collection. If once you put on a second chowkidari tax, it would have to be collected by the people and consequently it would be much more difficult to realize it.

Q —Is there any difficulty in realizing the chowkidari tax?

A.—There is not very much difficulty at present, but there would be if you increased it.

Q.—Does the cultivator pay the chowkidari tax?

A.—Every householder pays it

Q.—You say that a tax on holdings in bazars and villages would be difficult of assessment and difficult to collect.

A.—Yes.

Q.—Have you any public markets?

A —There are some in municipalities, there are no publicly-owned markets in mofussil villages

Q.—The landlords levy considerable taxation on them?

A.—Yes.

Q —Have they any right to do that under the permanent settlement?

A —I cannot give a definite reply, Government themselves make a handsome profit out of markets in Government estates.

Q —In Madras, District Boards make a considerable income by building markets and levying market fees.

A.—That is, I believe, also the case in the United Provinces. It was considered desirable to give similar powers in the Village Administration Act which was passed last year, but unfortunately the proposal was not accepted by the Council.

Q —Is there anything in your Act which requires a license for a private market?

A —No.

Q.—You cannot enforce a decent market administration?

A.—You could possibly frame bye-laws under the Local Self-Government Act, but there is nothing very definite in the Act.

Q —In Madras, every private market has to have a license and unless it comes to a very high standard of administration, the license is refused

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Prof. E. A. HORNE, M.A., Professor of Economics, Patna College, was next examined

Written memorandum of Prof. Horne.

I.

Qs. 1—9. Incidence of taxation.—(*Per capita* income; and distribution of income.)

1. Two estimates of *per capita* income have been made, which are not included in Annexure B. The first is contained in an article contributed to the

Journal of the Royal Statistical Society (June 1902) by Mr. F. J. Atkinson. It is as follows:—

British India (excluding Upper Burma and Baluchistan)—

1875 . . Rs. 30 5	1895 . . Rs 39'5

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British India (excluding Burma).

1891 . . Rs. 28	1911 . . Rs 42.

In terms of the general price level of 1921-22, the latter figure would be about Rs. 77

2. Professor K. T. Shah's figure (Rs. 74 for 1921-22) is confessedly incomplete, since he omits many important items of non-agricultural income. Taking the latter as 50 per cent of the total agricultural income, as estimated by Professor Shah, we should have a *per capita* income (for the whole of India) of Rs 100 Making this correction Professor Shah's estimate agrees fairly closely with those framed by Mr Shirras and Dr. Gilbert Slater (for the Madras Presidency only), but, in my opinion, all these estimates are vitiated, as a money expression of India's national income, by the fact that they are based on wholesale (large centre) prices. These include wholesalers' profits and numerous other items, which either should not be counted at all (since only a fraction of India's agricultural produce comes into the market), or else are counted twice over. Their estimates, I consider, are subject, on this account, to a reduction of from 10 to 15 per cent. Further, the estimate framed by Mr Shirras appears to me to exaggerate certain items. For example, the national milk supply is estimated at no less than one maund per head per annum, and is valued at 4 seers (or less) to the rupee, giving a *per capita* income for this one item alone of over Rs 10, and to this is added straw and fodder ... it is remembered that ... "Industry" consists ... earnings of this class

3. For measuring the *growth* of India's national income, and hence the ...

inspected mines and factories, would be a comparatively inexpensive matter, and should yield most valuable additional material.

4 Of far greater importance, however, so far as the incidence of taxation on different classes of the population is concerned, is more accurate knowledge of the way in which India's national income is *distributed*. The material available for any classification of incomes is, at present, of the scantiest. Indeed, practically all we know ... for the masses of the

"richer" classes number 12½ millions (i.e., 5 per cent of the total popula- ... aking 237½ 1,662 ... me of Rs 2,162 crores, or Rs 86-8 per head. Then let us distribute the central and provincial taxes for 1921-22 (omitting tributes, revenue from export opium, and revenue from export duties) as follows:—

	Paid by the "richer" classes.	Paid by the "poorer" classes.
	Rs	Rs.
	Cror s	Crores.
Land Revenue (50 per cent)	17,4	17,4
Income tax (all)	25,1	..
Customs (including cotton excise)	10,8	20,0
Excise (10 per cent)	1,7	15,6
Salt (10 per cent)	6	5,8
Stamps (50 per cent)	5,6	5,6
Registration (20 per cent)	2	9
	61,4	65,3

The burden of taxation falling on the "poorer" classes, on the basis of the ... ow, if we further suppose ... ompared with an average ... us say, Rs. 300, then the tax-burden falling on the latter should amount to $\frac{2.75}{10} \times 300 =$ Rs 82-8 per head (or a total contribution of Rs 103 crores), if the proportionate sacrifice involved, taking one tax with another, is to be equal. But, in fact, it was less than two-thirds of this (viz., Rs 61½ crores or Rs 49 per head). This ... -burden which is far from ... ase in the gener il tariff ... on matches and the (tem- ... diminished proceeds from ... burden borne by the "poorer" classes, to which the above figures point.

II.

Qs. 38—39.—Income-tax. Qs. 137—146.—Duties on Inheritance.

(Income-tax and agricultural incomes, death duties).

6. I ...

tax. I ...

That is ...

conside ...

income includes the taxing of (a) ...

(c) the earnings of the cultivator.

where the holdings are larger, there is already a marked tendency for the land-

holder to withdraw from cultivation himself, and become a mere rent-receiver. One effect of assessing to income-tax the earnings of cultivators, whose net income from cultivation exceeds Rs. 2,000, would be to accentuate this tendency. To lower the present exemption limit, on the other hand, the burden of indirect

stand the proposal, there is no question, however, of extinguishing or abandoning the land revenue In Japan, I believe, the land is subject both to a special land tax and to income-tax, but I do not know what the incidence of the latter

settlement; otherwise, there appears to me to be no meaning in the terms of the permanent settlement. Finally, it appears to me to be quite impossible to combine the assessment of agricultural rent to income-tax with the long-established and well-understood principles of the temporary settlement; one system would inevitably have to give place to the other

rent, there should be no exemption limit. This is a matter for the provincial legislatures to tackle.

on all forms of property; and the landlord, whose estate has been assessed to land revenue under a permanent settlement, could no more complain of death duties, which affected all alike, than he can of indirect taxation

9. If death duties are left for provincial legislation, as provided under the Devolution Rules, then each province can tackle its own financial problem in its own way; and every province can be assured of an important and growing source of revenue.

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11. In the case of landed property, it might be provided that, in the event of part
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equal,
would
would
to prev
pendent gain. On the other hand, without some provision of this kind, a graduated estate duty might have the effect of encouraging partition.

III.

Qs. 27—32.—Poll Tax. Q 53.—Salt.

12. Even the poorest should be required, in virtue of their citizenship, to contribute something to the public purse The great advantage of the salt tax over a poll tax is that it is so much easier to collect. This advantage is so great as completely, in my opinion, to outweigh the possible objection, on

viz., cloth. Relief ought, on no account whatever, to be given to the mill-owners by abolishing the excise duty, until it has become possible to give at least equivalent relief to the general tax-payer by reducing the import duty on piece-goods.

Qs. 121—136 and 155.—Tobacco.

13. I am in favour of a tax on tobacco With the growth of the habit of cigarette smoking in India, this may, to some extent, take the place of the old opium revenue in the central revenues. The tax should be national, and levied in the shape of an *ad valorem* excise duty on factory-made cigars and cigarettes.

Prof. Horne gave oral evidence as follows :—

The President. Q.—You are Professor of Economics at the Patna College? *A.*—Yes.

Q.—You have given us some interesting comments in the matter of the estimates of *per capita* income. We propose to hand over the bulk of that to the Economic Enquiry Committee, who are dealing with this question, our concern being with the incidence of taxation. So we will begin with paragraph 4 of your answer.

You point out the extraordinary variation between the estimates of the national income made by Atkinson and Shah.

A.—Atkinson's was made a long time ago.

Q.—One of them took the richer classes at 2·4 per cent of the population with an average income of Rs 206, while the other took 7 per cent with an average income of Rs 325 You take 5 per cent with an average of Rs. 400

A.—I am inclined to think that Professor Shah has overestimated the number contained in the richer classes, especially the number of zamindars or rent-receivers belonging to that class, so I have taken a smaller figure with a larger average income, but I do not profess that that figure is useful except as a guide and approximation.

Q.—It is a pure guess?

A.—It is not a pure guess It is based to some extent on my study of the result of income-tax figures, and to some extent on Professor Shah's estimate

Q—Income-tax assessees number 270,000?

A—Yes, representing a population of about a million

Dr Paranjpye. Q—In the case of the income-tax payers, the size of the family should be taken at a little higher figure, because of the larger number of dependants included

A—I should include dependants at the rate of four for a family, *i.e.*, three *for every income-tax payer That was the figure I arrived at when I studied* the census returns for this purpose. That again is an approximation, but I remember that I got it as just over four.

The President. Q—You estimate that half the land revenue is paid by the richer classes and half by the poorer classes.

A.—Yes.

Q—*That again, I take it, is a pure guess*

A—Not altogether The method that Professor Shah has employed is to take the zamindari figures as relating to the land revenue paid by the richer classes I know that in that class there would be included quite a considerable proportion who do not belong to that class Again, in the case of raiyatwari revenue payers, there would be many belonging to the richer classes, but that is the division that we have made

Q—17·4 crores is the zamindari assessment?

A—Yes, temporary and permanent. I have taken it at half the land revenue, but the actual figure for the zamindari revenue payers comes to about 17 crores of rupees for this year In Bengal particularly, as brought out at the last census, the number of revenue payers who have quite small incomes is a large one, so that it is simply a question of balancing. Among the raiyatwari payers in Bombay and Madras, there are no doubt a considerable number who belong to the richer classes

Dr. Paranjpye Q—In the Punjab we were told that there were several lakhs of revenue payers under the raiyatwari system, but only about 2,300 people would be liable to income-tax if income-tax were levied on agricultural incomes.

A.—I should say, if anything, I have overestimated very considerably the share of the revenue paid by the richer classes.

The President. Q—In Madras the number of *pattas* for over a thousand rupees is 952. Out of 4,861,000, we have about 4,000 over Rs. 500.

A.—It is a very small proportion.

Q.—That is only one in a thousand.

A.—You have to remember that we are including in the revenue paid by the richer classes very large sums paid by the big landholders.

Q.—Haven't you in this province districts where the landholders pay quite small sums, a district like Saran?

A.—Yes, we have.

Q.—You have divided customs into one-third and two-thirds practically.

A.—Yes, I have taken the detailed returns What I have not counted at all as payable by the poorer classes are, arms and ammunition, coal, coke

and patent fuel, liquors, opium, petroleum, tobacco, articles of food and drink, miscellaneous (duty at 11 per cent), all luxury items, and excise duty on motor spirit.

Q.—What about cutlery and hardware?

A.—I have included it among the amounts paid by the poorer classes. Professor Shah has assigned all payments under the head of machinery, metals, railway plant, etc., to the richer classes. I think the incidence will be on the mass of the population.

Q.—But then why do you put the articles other than machinery also under the mass of the population?

A.—I confess I have not very carefully considered that figure; it is a fairly small one. I have told you what I have assigned to the richer classes. Then, excluding export duties altogether, the balance comes to about 22 crores, and I have taken that the richer classes, in addition to what they pay on the other articles, would pay about 10 per cent on those that I have assigned to the poorer classes.

Q.—Practically we are in agreement as regards our methods of calculation.

A.—Yes.

Dr. Paranjpye. *Q*.—Do you consider sugar uniformly distributed among both?

A.—I have allowed something for the richer classes.

Q.—They would consume a much larger quantity.

A.—Yes, I have only deducted 10 per cent for them, *i.e.*, twice their allowance, but I have taken a good deal also as paid entirely by the rich, which will be partly paid by the poorer classes.

The President. *Q*.—I would not divide into rich and poor, but into rich and general.

A.—Yours will be a sounder division.

Q.—How do you arrive at the excise figure?

A.—I have counted that the rich would consume a good deal of opium.

Q.—I was thinking of liquor.

A.—I have no special knowledge of that.

Q.—As regards salt, you put more than half for the rich.

A.—I have allowed double the expenditure in the case of the richer classes.

Dr. Paranjpye. *Q*.—Stamps would probably all be paid by the richer classes.

A.—There are court-fees.

Q.—You include court-fees as well as general stamps?

A.—Yes.

The President. *Q*.—Is not litigation a luxury of the rich?

A.—It is a luxury indulged in very much by the poor also. My only reason for dividing stamps half and half is that I have divided land revenue half and half; and judicial fees are the most important part of the stamp revenue.

Q.—I would certainly put more on to the rich. Is not registration all merely for the rich?

A.—I have no special information about it; it is a very small item.

Q.—I am inclined to put more land revenue on to the poor and more stamps on to the rich. The rich are paying much less than they ought to pay; is that not the generally accepted opinion?

A.—I have asked myself what would be a fair distribution of the tax-burden; and I suggest these figures: for a total tax revenue of 125 crores, which is very much the figure we have been taking, take a tax-burden of 50 crores for the poorer classes; this would be 3 per cent of an income of Rs. 70 and a tax payment of just over Rs 2 a head: and take a tax-burden of 75

crores for the richer classes, which, on an income of Rs 400 per head would work out at 15 per cent.

Q.—Do you base that on any maxim of economics?

A.—Yes, I base it on what is known as Bernouilli's law

Q.—I am afraid I shall have to ask you to explain the law to me.

A.—I may quote what Marshall says on the subject: "In accordance with the suggestion made by Daniel Bernouilli, we may regard the satisfaction which a person derives from his income as commencing when he has enough to support life and afterwards as increasing by equal amounts with every equal successive percentage that is added to his income and *vice versâ* for loss of income" I have cut off Rs 60 per head in the case of the poorer classes and Rs. 100 per head in the case of the richer classes as representing necessary expenditure. Then you take what remains of the income as what I call the taxable margin; and that should bear a proportionately equal tax-burden, on the assumption that if you take away Rs. 10 from a taxable margin of Rs 100, you take away as much possibility of satisfaction as when you take away Rs. 100 from a taxable margin of Rs 1,000

Q.—Does not that involve many more gradations between the rich and the poor?

A.—That is why I have urged that we want data which would give us some means of saying how income is distributed among a number of different economic classes

Q.—But it has been put to us that the people who at present suffer as much as any other class from taxation are the people at the bottom of your rich class

A.—I agree. They are hit on both sides.

Q.—And that is also the class that spend their money for better purposes?

A.—Yes.

Sir Percy Thompson. Q.—As regards income-tax on agricultural incomes, you divide it into three parts "rent, profits of agricultural capital and the earnings of the cultivator". With regard to the earnings of the cultivator you say that there is very little to be got at. But I do not quite follow you when you say "One effect of assessing to income-tax the earnings of cultivators, whose net income from cultivation exceeds Rs 2,000 would be to accentuate the tendency to withdraw from cultivation and become a rent receiver. Is it because he would have to pay income-tax on the profits?

A.—Yes He might easily bring himself below the taxable limit if he went out of cultivation.

Q.—That is, people would earn less money than they could earn in order to evade income-tax?

A.—I think you have got to bear in mind the case of a family some of whose members, for example, are earning money in service or in some profession and do not come up to the income-tax level, and other members of the family are cultivators. Then the latter *quâ* cultivators may be liable to income-tax, but *quâ* rent-receivers will not become liable. I do know that there is a tendency to withdraw from actual cultivation since it is supposed to be more dignified to be a rent-receiver; and this would slightly accentuate that tendency. I am thinking of it as helping to accentuate a little a tendency which already exists.

Q.—Don't you think that land revenue is inadequate?

A.—I agree.

Q.—And from that point of view, is it not rather a controversial question whether land revenue is a tax or a rent? Does not a man pay something for which he gets the use when he pays land revenue? That is, suppose I have got no land and you have got a piece of land For your payment of land revenue you will have considerable advantage over me. You will have the use of some land which is a money-making asset. If I was a mill owner I should have to pay rent for my mill.

and patent fuel, liquors, opium, petroleum, tobacco, articles of food and drink, miscellaneous (duty at 11 per cent), all luxury items, and excise duty on motor spirit.

Q—What about cutlery and hardware?

A.—I have included it among the amounts paid by the poorer classes. Professor Shah has assigned all payments under the head of machinery, metals, railway plant, etc., to the richer classes I think the incidence will be on the mass of the population.

Q—But then why do you put the articles other than machinery also under the mass of the population?

A.—I confess I have not very carefully considered that figure, it is a fairly small one I have told you what I have assigned to the richer classes. Then, excluding export duties altogether, the balance comes to about 22 crores, and I have taken that the richer classes, in addition to what they pay on the other articles, would pay about 10 per cent on those that I have assigned to the poorer classes

Q—Practically we are in agreement as regards our methods of calculation.

A—Yes.

Dr. Paranjpye *Q*—Do you consider sugar uniformly distributed among both?

A.—I have allowed something for the richer classes

Q—They would consume a much larger quantity.

A—Yes, I have only deducted 10 per cent for them, *i.e.*, twice their allowance, but I have taken a good deal also as paid entirely by the rich, which will be partly paid by the poorer classes.

The President. *Q*—I would not divide into rich and poor, but into rich and general.

A.—Yours will be a sounder division.

Q.—How do you arrive at the excise figure?

A—I have counted that the rich would consume a good deal of opium.

Q.—I was thinking of liquor.

A.—I have no special knowledge of that

Q—As regards salt, you put more than half for the rich.

A—I have allowed double the expenditure in the case of the richer classes.

Dr. Paranjpye. *Q.*—Stamps would probably all be paid by the richer classes.

A.—There are court-fees.

Q.—You include court-fees as well as general stamps?

A.—Yes

The President. *Q.*—Is not litigation a luxury of the rich?

A—It is a luxury indulged in very much by the poor also My only reason for dividing stamps half and half is that I have divided land revenue half and half; and judicial fees are the most important part of the stamp revenue.

Q.—I would certainly put more on to the rich Is not registration all merely for the rich?

A—I have no special information about it ; it is a very small item.

Q.—I am inclined to put more land revenue on to the poor and more stamps on to the rich. The rich are paying much less than they ought to pay; is that not the generally accepted opinion?

A—I have asked myself what would be a fair distribution of the tax-burden; and I suggest these figures: for a total tax revenue of 125 crores, which is very much the figure we have been taking, take a tax-burden of 50 crores for the poorer classes; this would be 3 per cent of an income of Rs. 70 and a tax payment of just over Rs. 2 a head· and take a tax-burden of 75

crores for the richer classes, which, on an income of Rs 400 per head would work out at 15 per cent.

Q.—Do you base that on any maxim of economics?

A.—Yes, I base it on what is known as Bernoulli's law.

Q.—I am afraid I shall have to ask you to explain the law to me.

A.—I may quote what Marshall says on the subject "In accordance with the suggestion made by Daniel Bernoulli, we may regard the satisfaction which a person derives from his income as commencing when he has enough to support life and afterwards as increasing by equal amounts with every equal successive percentage that is added to his income and *vice versâ* for loss of income". I have cut off Rs 60 per head in the case of the poorer classes and Rs 100 per head in the case of the richer classes as representing necessary expenditure Then you take what remains of the income as what I call the taxable margin, and that should bear a proportionately equal tax-burden, on the assumption that if you take away Rs 10 from a taxable margin of Rs 100, you take away as much possibility of satisfaction as when you take away Rs 100 from a taxable margin of Rs 1,000

Q.—Does not that involve many more gradations between the rich and the poor?

A.—That is why I have urged that we want data which would give us some means of saying how income is distributed among a number of different economic classes.

Q.—But it has been put to us that the people who at present suffer as much as any other class from taxation are the people at the bottom of your rich class

A.—I agree. They are hit on both sides

Q.—And that is also the class that spend their money for better purposes?

A.—Yes

Sir Percy Thompson. *Q.*—As regards income-tax on agricultural incomes, you divide it into three parts "rent, profits of agricultural capital and the earnings of the cultivator". With regard to the earnings of the cultivator you say that there is very little to be got at But I do not quite follow you when you say "One effect of assessing to income-tax the earnings of cultivators, whose net income from cultivation exceeds Rs. 2,000 would be to accentuate the tendency to withdraw from cultivation and become a rent receiver. Is it because he would have to pay income-tax on the profits?

A.—Yes He might easily bring himself below the taxable limit if he went out of cultivation.

Q.—That is, people would earn less money than they could earn in order to evade income-tax?

A.—I think you have got to bear in mind the case of a family some of whose members, for example, are earning money in service or in some profession and do not come up to the income-tax level, and other members of the family are cultivators. Then the latter *quâ* cultivators may be liable to income-tax, but *quâ* rent-receivers will not become liable I do know that there is a tendency to withdraw from actual cultivation since it is supposed to be more dignified to be a rent-receiver; and this would slightly accentuate that tendency. I am thinking of it as helping to accentuate a little a tendency which already exists

Q.—Don't you think that land revenue is inadequate?

A.—I agree.

Q.—And from that point of view, is it not rather a controversial question whether land revenue is a tax or a rent? Does not a man pay something for which he gets the use when he pays land revenue? That is, suppose I have got no land and you have got a piece of land. For your payment of land revenue you will have considerable advantage over me. You will have the use of some land which is a money-making asset. If I was a mill owner I should have to pay rent for my mill.

A.—I am in favour of steepening land revenue as a direct charge on income.

Dr. Paranjpye. Q.—You say "In those parts (*e g.*, the Deccan) where the holdings are larger, there is already a marked tendency for the landholder to withdraw from cultivation himself, and become a mere rent-receiver". I think that that remark is not justified because the holdings in the Deccan are not large

A.—I think they are considerably larger than in other provinces.

Q.—I do not think so. You would find that very few cultivators would be liable to income-tax so far as their profits on cultivation are concerned.

A.—The average holding in the Deccan is 16 acres.

Q.—But even 16 acres in the Deccan is not a very great thing.

A.—I don't know.

Sir Percy Thompson. Q.—Why do you suggest that it is a breach of faith to tax rents to income-tax in permanently-settled tracts?

A.—Because, I look on land revenue as a direct charge on income derived from land; and in 1793 that income was taxed, and the tax was settled once for all As a matter of fact, when the Bengal settlement was first introduced, it was about the heaviest tax that has ever been imposed It was 10/11th of the yield.

Dr. Paranjpye. Q.—It was because they were given 1/11th absolutely tree to which they had no right whatsoever.

A.—Government made them complete owners of the land, and they made their settlement with them. It was a pretty hard bargain

Q.—The Government could have got the whole if they had had the proper machinery of taxation.

A.—But the pitch cannot be 100 per cent.

The President.—May I read this passage?

"Land has become the most valuable form of property, and in every part of India money-lenders have utilised the laws of debt mercilessly to expropriate the agriculturist, convert him into a tenant-at-will or a landless labourer, and to reap the profits of his toil in cultivation. The capital so invested in land, however, contributes nothing to the support of the State. Our fiscal system has turned a blind eye to this momentous revolution. The profits of agriculture are exempted from the income-tax on the theory that the land pays its assessment to the State. When an absentee landlord has no connection with land beyond extracting from the cultivator a rent of 5 to 10 times the assessment, why should the interest derived from this form of capital investment be permitted to be disguised as profits of agriculture and be exempted from taxation?"

A.—Yes; and I think the solution in the temporarily-settled areas is to very much increase the present pitch and to graduate it; and that will make investment in land a less profitable investment. But in the case of permanently settled areas, it seems to me that the State having made a contract should not go behind it.

Q.—Do you propose that landholders should be bought out?

A.—It seems to me that is the only just solution of the question.

Dr. Paranjpye. Q.—When a landholder is bought out and paid, say, 5 lakhs of rupees and he invests that 5 lakhs in a business and makes a profit, would you charge income-tax on that?

A.—Yes; certainly. If you have made a fair deal with him, then you enter into the full ownership of the land; and you apply the principles of the temporary settlement to that land, or you apply the principles of the income-tax.

The President. Q.—May I read you another scheme of purchase?

"The land revenue of Bengal and other permanently-settled tracts was originally based on the estimate of the rents then realised. Farmers of revenue were recognised as landlords, but they paid 90 per cent of the rents

and kept 10 per cent as their commission for collection Lord Cornwallis made that settlement permanent at a date many years before the invention of the steam-engine, and a demand fixed while railways and steam navigation were still in the womb of the future must obviously be an unfair concession to one particular interest at the expense of all the tax-payers of India. But it is not easy to rectify Lord Cornwallis' generous mistake, because the original lands have continued to change hands at prices agreed upon with reference to the fixity of the demand, while there are numbers of intermediate tenure-holders who intercept as middlemen a large share of the rents between the hands of the cultivating raiyats and the hands of the zamindar. The only possible method would be by a huge scheme of purchase by which these intermediate rights were bought out by the State at a fixed number of years purchase, leaving the zamindar face to face with an occupancy tenant The creation of similar tenures in future would have to be barred by law The zamindar would now collect the full rents of the raiyats and be assessed to a full revenue on the increase in his income, while in respect to those properties where there are no intermediate tenure-holders to be bought out, he would have to be given some compensation down and assessed gradually at a *small fraction of his assets per annum each year*, until the demand had reached such percentage as it was considered fair to take."

Has that scheme any advantages over the complete buying out of the landholder? That is, practically buy out the intermediary tenure-holder, put the landholder face to face with the actual cultivating tenant as in the Central Provinces and then make a temporary settlement of the rent of the cultivating tenant and take half the settled rents as the land revenue The

area

A.—Yes, I think that might possibly be done

Government must buy out the tenure-holders at, say, one lakh of rupees, or 20 years' purchase, which they would either pay in cash or would invest at the option of the tenure-holder in a Government loan at 5 per cent The zamindar would then receive Rs 10,000 a year instead of Rs. 5,000, and on the extra Rs 5,000 he would pay Government Rs. 2,500. His position would be as follows. His present income is Rs 5,000 less Rs. 500 revenue, or Rs 4,500 His new income will be Rs 10,000 less (Rs. 2,500 *plus* Rs. 500) or Rs. 7,000. His future revenue starting at Rs 3,000 will increase by Rs 66⅔ a year, until at the end of 30 years the full half assets are realised, and the estate is thereafter dealt with according to its then assets on the principles applied to temporarily-settled provinces."

A.—I have not thought out any such scheme of purchase. One other possibility is to make the whole land tax a permanent settlement, and assess it all to income-tax as was done in England.

Q.—How would you arrive at that in a raiyatwari province? You have got the settlements spread over the last 30 years, and they would be very unequal in their incidence. You will have to level up by a sliding scale based on prices.

A.—No doubt, you could do that in Madras, because prices form very much the basis of your assessments

Q.—Then you would tax incomes over Rs. 2,000?

Q—If you come to the conclusion that the land revenue is an antiquated system and you decide to import a modern system, where would you look for a model? Would it be possible to adopt such a system of taxation as exists in Japan or Australia, or New Zealand?

A—I am thinking of applying the income-tax method generally.

Q—That is, the English method?

A—Yes.

Q—The most modern systems of land tax are those of Australia and New Zealand, which are based on a percentage of capital value?

A—Yes

Q.—Would it be practicable to apply those systems in this country?

A.—You would be falling back on discrimination against land, subjecting it to special taxation. You will have one form of direct taxation applied as income-tax, and another form of direct taxation applied in the form of a tax on land My great objection to the proposal to apply two forms of direct taxation to income from land is that it would mean sooner or later scrapping the temporary land revenue settlements in India, which in a sense are the backbone of the whole tax system The people understand the tax, though they may not understand the principles.

Sir Percy Thompson *Q*—What the provinces are aiming at is to get at the real economic rent of the land and to take 50 per cent of it?

A.—Yes.

Q.—Has any system of getting at capital values any advantage over this?

A—I think not.

The President *Q*—Is it not a fact that every settlement differs in percentage according to the prices prevailing at the time, and that nobody can tell what will be the rate in future? Under the Australian system, the Legislative Council would decide the rate, and all that the officer has to do is to determine the valuation.

A.—If you introduce a tax on agricultural income in addition to the land-tax the position will be more confused still.

Q.—I am only suggesting a more logical revenue system. Whether it is practical or not is another question.

A—I would prefer a more logical revenue system, but I do not see why it should not proceed on the lines laid down by many decades of experience

Q.—Has it not resulted in a different rate for every district?

A.—Because of what happens between one settlement and another? Yes.

Q.—Have you read any of the bills introduced in other Legislative Councils for the purpose of complying with the suggestion of the Joint Committee?

A.—I have followed the discussions in the Madras Council.

Q.—Government wanted to pass a bill making statutory provision for the present arrangements. The tendency of the Council is not to allow the continuance of the present arrangement. The first arrangement, which has been turned down by the Government of India, was to reduce the percentage of increase to 12½ per cent and to make each settlement report a taxation bill. If the rate of assessment is high, and if every district were to have the maximum of 12½ per cent increase, won't you get the perpetuation of inequality?

A.—Legislative Councils won't do anything in the matter until they learn a little more wisdom. Let them vote for 50 per cent and even more than that on a graduated scale.

Q.—The difficulty is to get some sort of uniformity in the tax Attention is now concentrated in the increase. Nobody knows what percentage it is. The annual value is lost in the fog.

A.—What about the rental assets?

Q.—That is never taken into consideration. The assessment taken is only a fraction of the assets.

Would it be practicable in fixing the death duty to disregard the personal law of the individual?

A.—Every death in a joint family would affect the division of property, but to assess the appropriate share of the estate to duty on the death of infant coparceners would lead to a great deal of administrative trouble. I have suggested that whenever there is a partition, notice should be taken of that, and additional duty claimed.

Q.—Would that not lead to a tax on partitions?

A.—The rights secured by partition should be recognised only when they have paid the appropriate duty.

Dr Paranjpye. *Q*.—Then you would require every partition to be registered?

A.—Yes.

Sir Percy Thompson. *Q*.—You say that death duties would fall on all forms of property, and the landlord, whose estate has been assessed to land revenue under a permanent settlement, could no more complain of death duties which affected all alike, than he can of indirect taxation.

A.—I do not regard the imposition of death duties as direct taxation in the sense that income-tax is.

Dr Paranjpye. *Q*.—It is a tax on capital rather than on income.

A.—I should like to read what Stamp says on this point: "By a judicious mixture of methods one can get a larger sum out of the community (with a given amount of 'pain') than by following any one special line. The field of death duties offers possibilities at the present moment greater than additions to the already high direct taxation . . . It is here that the value of postponed taxation, like death duties, which come between the living and the dead, may be most clearly exhibited."

Q.—Properly he should pay not only at death but at birth.

A.—Strictly speaking that is so. It is very largely a question of administrative convenience.

The President. *Q*.—You would not propose to levy a tax on birth?

A.—No.

Q.—You propose that each province is to introduce this by itself.

A.—That seems what is intended under the Devolution Rules.

Dr Paranjpye. *Q*.—We are required to consider how the distribution of taxes is to be made. So we might make suggestions to amend the Devolution Rules.

A.—I think the need of the provinces is so great that so far as the distribution of the tax is concerned the whole proceeds should go to the province.

Q.—But the duty should be uniform in all the provinces.

A.—Not necessarily.

Q.—There would be a difficulty when a man dies with properties in two provinces.

A.—Yes.

Q.—Supposing a man has properties worth five lakhs in each province. If there is graduation the tax may be 10 per cent on the first five lakhs and 20 per cent on the second five lakhs. The extra 10 per cent may be taken by the Central Government.

A.—I fully accept the principle of central taxation to death duties in theory, but I am thinking of practical considerations. I should prefer to leave the matter where the Devolution Rules leave it.

The President. *Q*.—Is your experience of letting each province legislate satisfactory?

A.—I do not know whether I can answer that question. I think death duties might be left to provinces.

Q.—In paragraph 12 of your note you say, "Relief ought, on no account whatever, to be given to the mill owners by abolishing the excise duty, until it has become possible to give at least equivalent relief to the general tax-payer by reducing the import duty on piece-goods." Do you think it is too high?

A.—It is certainly too high. Duty is paid not only on the piece-goods imported; but the equivalent to this is paid on the piece-goods made at the Indian mills

Q.—With regard to your views on tobacco, is not the cigar industry a cottage industry?

A.—I was thinking particularly of cigarettes I think the revenue on them will be substantial I was under the impression that the cigar industry was a factory industry also. In the case of factory-made cigarettes, the imposition of duty and the collection of the same will be very easy.

11th March 1925.

PATNA.

PRESENT

SIR CHARLES TODHUNTER, K.C.S.I., I.C.S., *President.*
SIR PERCY THOMPSON, K.B.E., C.B.
DR. R. P. PARANJPYE.

Mr. H. MANNERS, Messina Factory, Samastipore, was examined on behalf of the Bihar Planters' Association.

Written memorandum of Mr. Manners.

[It must be understood my answers are confined mainly to the districts of North Bihar in which as an indigo planter and agriculturist I have resided without intermission for 54 years, and I have but little knowledge of the conditions in other parts of India.]

Q. 1.—It's impossible to say.

Q. 2.—I state without hesitation that there is no poverty in these districts, and I consider the Indian agriculturists, and working or labouring classes are as well off and contented as those in any part of the world.

The cry of "the poverty of India," has no foundation in fact, and is merely used by agitators for their own ends.

As regards Annexure B, I can only say that I consider the average income of all classes of Indians at the present time is ample for all actual needs, (this applies throughout the country.)

Q. 3.—I agree that in India so far there are no reliable estimates as to Indian sources of income on which income tax can be based, no Indian will declare more than 25 per cent. of his real income.

Q. 4.—No, save that they are far too complicated. These, I believe, are compiled in the first instance by subordinates who are adepts at making them suit their own views.

Q. 5.—Most certainly not, it would be very costly, and lead to no result.

[illegible]

Q. 7.—They have no value whatsoever.

Q. 8.—Annexure C. Workers. I have for many years been strongly of opinion that there has been far too much official interference with labour throughout the country, and this has greatly helped the Gandhites and other agitators in stirring up the lower classes, and brought about the present labour unrest. The remainder of the question has been answered in (8).

Q 9.—Difficult to answer fully, the following appear to me as the main divisions. (*a*) The big landlords deriving their income from the rents on lands. (*b*) Owners of mills, or other manufactories. (*c*) Agriculturists. (*d*) The working classes (*e*) Owners of house properties.

I firmly maintain that no taxes whatsoever should be levied on (*c*) and (*d*) for on these the prosperity, and general welfare of the people of India depend.

Q 10—None in North Bihar that I am aware of.

Q. 11.—No.

Q 12.—No.

Q 13.—No. Firstly I am strongly of opinion that the Indian Government should not engage in any such transactions (*b*) and (*c*). These might be a tax, by raising the price of a commodity above the average, and so depriving the people of the benefit or enjoyment thereof. Secondly that such things are matters for business enterprise alone.

Q 14—No

Q 15—I am unable to say (2) To charge such rate as will bring a clear return on the cost of, say, 8 per cent. (3) Certainly not. (5) No, this would lead to grave injustice It would be best and simplest after the Irrigation Works have been completed to lease them out to a reliable person or company for a long term (not less than 20 years) at a rental that will bring in a net 8 per cent. The native of this country is peculiar, and he would willingly pay a higher rate to a company than to Government.

Q 16—No The State will get a fair return as stated in answer to question No. 15

Q. 17—None that I can see.

Q. 18—Yes.

Q 19—In the first place the imposition of such dues on agricultural lands or crops should not be allowed. Second, under the new Local Self-Government scheme it would quickly become a means of great injustice, and oppression, to all classes and creeds

Q. 20—Certain taxes such as chowkidari tax, etc , now in force are in the main legitimate. They should be devoted to the purposes for which they are levied. As an instance the road cess, which is merely a direct and easily collected tax levied on all landlords, and tenants for the best of reasons, *viz.*, for the upkeep of roads and communications, has been grossly misused. During the past 14 years or so a very large portion has been expended on other objects for which it was never intended. The result is that the roads required for the heavy country traffic throughout the Darbhanga district (I have resided in the Samastipore sub-division for 40 years) are in a disgraceful condition, in fact communication with the railway stations, and main markets is only carried on with the greatest difficulty, consequently the villagers suffer greatly

Q. 21.—Personally I fail to see how any form of taxation can be regarded as voluntary. That taxes are necessary I admit, and it should be the first consideration in levying them, " not to inflict a heavy and unjust burden on to any class of people."

Q. 22.—Beyond what is said in question No. 20 I am unable to answer this question

Q 23.—I cannot quite see the force of the statements. If looked at rightly immoderate smokers and drinkers do not contribute most or heavily to taxation, the reason being that they be few and far between, and it is obvious that the man who consumes a bottle of whisky daily pays no greater tax than 2 or 3 men who take, say, 2 or 3 pegs. To mainly Europeans the moderate con-

sumption of liquor is as much a necessity as a luxury.

Tobacco. To those who smoke expensive brands of cigars, cigarettes, and tobacco it is undoubtedly a luxury, but to the working man I firmly maintain *it is a necessity.* A man can stand exposure and do harder and better work if he be smoking or chewing.

No tax should be imposed on tobacco grown in India, or on its manufacture into cigars, cigarettes, or smoking mixtures. Cigarettes have more or less superseded the *hookah*, and the people who smoke those made in India should not be taxed thereon. The manufacturers thereof pay income tax on profits. Leaf tobacco, or manufactured exported to countries outside the limits of India, can be assessed with duty.

Q. 24—As a most iniquitous one.

Q. 25—No (2) Absolute necessities with a few exceptions should not be taxed. The tax on salt, kerosine oil, petrol, etc., is fair as it is proportioned among all classes They are equitable forms of revenue, realized without hardship, or difficulty.

Whatever taxes may be necessary should be equally apportioned on all nationalities, creeds, and classes in this country. I maintain that for some years the white man in India has been sweated.

The income tax is a clear illustration of this fact.

Q 27—Yes Payable by everyone. There should be no exemptions

Q. 28—Yes

Q 29—Direct.

Q. 30—Hardly in this country, a house tax would be fairer, but this would have to be justly apportioned, which is the difficulty

Q 31—I know nothing of (1) (2) Answered above (3) Right, provided the duties of village chowkidars are clearly laid down, which are not so at present. He is nobody's servant, whereas he might be a most useful public one. (4) I have no knowledge of a "profession tax," or on what "lower classes" it is imposed

Q 32—All are necessary for revenue purposes, and are fair with the exception of cotton, and octroi. There should be no tax on cotton grown or manufactured in the country, only a duty on raw, or manufactured tobacco exported outside the limits of India. Octroi should not be levied.

Q. 33—I can see no substitution for the "income-tax." The rate ought not to be increased I consider it is unfairly apportioned, for it presses unduly on the European, and Eurasian No one can deny the simple fact that an Indian on an income or salary of Rs. 100 per mensem is infinitely better off than either of the former, getting, say, Rs. 500, or Rs. 250.

Q. 34.—I cannot say

Q. 35.—No

Q. 36—No.

Q. 37.—I consider the "super tax" on companies absolutely unjust in any country. A tax on the net profits of a corporation is justified, as with *companies. I wholly fail to see that either enjoy any "special privileges."* The super tax in India should be abolished

Q 38.—No [illegible]
wealth, and [illegible]
ought to be [illegible]
who merely [illegible]
therefrom o[illegible]
a tax on al[illegible]
Registrars keeping a register of all money-lending documents, and collecting the tax aforesaid at the time of registration. The same applies to what are known as hand notes, which as a rule are not registered. No Courts should admit a claim on such notes, until the tax be paid. Payment to be endorsed on the back of the note by the Court

Q. 39.—Answered above.

Q. 40.—Yes. At the same time in this country it is practically impossible to say "What is the subsistence level?" as so many conflicting factors arise. As regards Indians, all salaries or actual income over Rs. 1,000 per annum, may equitably be made subject to payment of income-tax.

Q. 41.—This is true. I say without hesitation no Indian can be trusted to assess fairly. It is difficult to suggest an efficient remedy.

Qs. 42 to 45.—Unsuited to India. Forms to be filled in by tax payers would be greatly resented by all nationalities and creeds in the country. They must be more or less of an "inquisitorial kind," harass everybody, and create great ill feeling against the Government. Moreover they would lead to abuses, and be evaded.

Q. 46.—There should be no double taxation. Large incomes from sources outside of India might justly be taxed, if not already taxed in British possessions.

Q. 47.—I consider a 3 or 5 year assessment would be fairer to all.

Q. 48.—Correct.

Q. 49.—The list is a clear instance of what I have called "sweating" the European to save the Indian. Further comment is needless. Many of the articles given are necessities.

Q. 50.—The sweating applies again. The duty (tax) on foreign liquors is excessive as it is. The same on cigars and tobacco.

It may be possible, but certainly most unfair.

Q. 51.—I have remarked with regard to salt before. The present tax on it might be raised Re. 1, without hardship to any class. A small tax could be levied on sugar, for the same rule applies.

Q. 52.—No.

Q. 53.—Low.

Qs. 54-55.—The manufacture of salt in India has not kept pace with the times. All petty holdings for making should be done away with, and its manufacture made over to companies who would make it both better and cheaper. The greater part of the salt used for cooking purposes is very impure, and dirty.

The salt made in modern factories should be sold by the regulation maund. The Government should take from the said factories the same tax, or duty as at present. The fact that good clean salt could be made cheaper would result in an increased use and sale. Through companies the realization of the Government dues would be simplified, and there could be a considerable reduction in the staff and expenses.

Q. 56.—No. Big companies with modern machinery would quickly put a stop to the importation of salt.

Q. 57.—Manufactured as above there would be no "sifting," and the people in India be gainers.

Q. 58.—Yes. All sales should be by the standard maund.

Q. 59.—I cannot say if it would be possible to reduce transport costs to any appreciable extent. Erection of depôts by Government would be very heavy. Loss by theft would occur, and nothing would be gained.

The companies as suggested above would make proper arrangements (like the kerosine oil companies) for its distribution throughout the country.

Q. 60.—No. It is not necessary.

Q. 61.—Prohibition is a fallacy. It is not justified in any way that I can see, and does more harm than good. This latter would very much apply to India.

Q. 62.—Answer given above. Dr. Mathai's and those of the Bombay Excise Committee, are I consider most unjust. They would be strongly objected to by all classes.

Q 63.—No Taxation is necessary in every country to carry on its government Increasing the tax on intoxicants has certainly had no good result in India. I hold it merely adds to a craving, and causes great misery to those dependant on them. Tobacco is unduly taxed in other countries. As stated before that grown manufactured and used in India should not be taxed It is a harmless and useful mild stimulant.

In North Bihar I consider the duty excessive and oppressive I put the question, was there more drunkenness or crime due to liquor among Indians 40 years ago, when country-made liquor of various kinds was very cheap, than there is to-day when so called protective or prohibitive duties have increased the price enormously? There can only be one answer, no.

I am a teetotaler, but I firmly maintain that the excessive taxation of liquor cannot be supported on any equitable principles, (this applies to all countries)

Q 64.—Yes. The duty on country-made liquor should not be a means of extortion The Excise duty ought to be greatly reduced, and made a uniform rate.

Q. 66.—I do not think so

Q. 67 —This ought to be absolutely stopped.

Q. 68 —Most certainly not

Q 69 —Imported liquors are already subject to excessive duty at the port of entry The different provinces have nothing to do further. As said above for country liquor the rate should be uniform throughout India.

Q 70 —I have drunk considerable quantities of fresh tari, and consider it a pleasant and perfectly harmless drink used by the people of India for centuries, and there is no reason why they should be deprived of it, or restricted in any way.

I am most strongly of opinion that the Pasis (toddy drawers and sellers) who are a hard working quiet class, are severely oppressed by the excessive license fees, and the extortions of the Police and other subordinates. In place of the licenses, I am inclined to favour a tree tax. It must be kept in mind that the trees are the property of the landlord from whom the Pasis get a permit to draw toddy, on payment therefor. A simple printed form might be supplied on payment of actual cost, to be filled in by the landlord showing the number of trees the Pasi has taken up. On this the tax can be collected Such tree tax should not exceed 0-1-0 (one anna per tree) This tax ought to be made payable to the nearest Treasury Officer by money order once a fasli year.

Q 71.—I consider the tax on *ganja*, *charas*, and *bhang*, right. *Bhang* ought to be taxed by weight.

Q. 72.—Having no knowledge of the systems, I can say nothing.

Q. 73.—No. The extortion by subordinates is very great, to cover which licensees adulterate.

Q. 74.—This was overlooked. I question this assertion. There should be no opportunity for "monopoly by any licensee."

Q. 75.—I consider the excise duty should be uniform throughout India.

Q. 77.—No. By the Government of India.

Q. 78.—Firstly I state protection of any manufacturing enterprise or particular trade is wholly wrong.

All. I would add that a heavy duty on any article brought into India is detrimental to her inhabitants, in fact in a manner it acts as a protective duty. I submit free trade and keen competition to keep down prices are essential. A small duty or tax on a large number of articles will bring in more revenue than a prohibitive one which is a restriction on trade.

Q. 79.—As a mere Planter whose life has been in the "back blocks," I am unable to answer this.

Qs. 80-82.—Yes. Precious stones, and pearls found in the country may be rightly and fully taxed

Q. 81.—I can't say.

Q. 82.—Do

Q. 83.—*Ad valorem*

Q. 84.—I cannot say

Q. 85.—No, as I know nothing about it

Q. 86.—Yes, as far as possible

Q. 87.—*Re* Annexure K I consider these uncalled for and unsuited to India Motor Cars Only those of the expensive kind bought and used by the rich ought to be taxed Those used for business, or by workers not The former are merely used for pleasure The latter are necessities I have said there should be no tax on amusements, and same applies to entertainments

Q. 88.—No

Q. 89.—I know nothing of Bentham, but am firmly of opinion the court fees (lately increased) are ample to cover all cost, and leave a large margin. Process fees are excessive, (*vide* my answers to the questionnaire of the Civil Justice Committee).

Q. 90.—No.

Q. 91.—I do not know

Q. 92.—I consider "fees" are taxes As remarked before those on the sale of country liquor, more especially *tari*, are excessive.

Q. 93.—No Those at present are quite just.

Q. 94.—Am unable to say

Q. 95.—Taxes on entertainments are entirely unjustified I do not advocate increase of other taxes in place of these, it would only be adding to injustice

Q. 96.—Rent is that payable to the landlord for the use of land or for occupation of a house Taxes are levied by Governments for revenue and other purposes In India this should remain as at present.

Q. 97.—There is no such tax in North Bihar, unless the Road Cess comes under that category I am strongly of opinion that a land tax would be a very great hardship on cultivators

Qs. 98-99.—I can express no opinion.

Q. 100.—Difficult to answer I am of opinion and without prejudice that Rs 1,000 per annum amply suffices for the needs of the majority of the Indian community, but not for the European. I consider any Indian agriculturist would be very well off on that amount. I don't think a taxing officer would get at the facts Last para. Yes, and would lead to great trouble in realizing

Q. 101.—No. Certainly not.

Q. 102.—Most certainly not, it would be grave injustice, and restrict the reclamation of such lands.

Q. 103.—I do not know how it is levied. There ought to be a uniform plan fixed by Government. On no account should it be left to local authorities.

Q. 104.—Can give no reply.

Q. 105.—No.

Q. 106.—Yes provided provisions are taken against abuse.

Q. 107.—I can find no Schedule II. To remaining questions, no.

Q. 108.—Octroi, and terminal taxes are unjust. House and Municipal land, right if the assessment be honestly done. I fail to see how a land tax, and a land cess can be fairly levied on the same property. With regard to North Bihar I say without hesitation that the money from the road cess

tax, has been for a considerable time diverted to purposes for which it was not intended. This is most unfair to those (landlords, and tenants) on whom it is levied. At the very least two-thirds of it ought to be devoted to its legitimate purpose

Q. 109.—I have stated before "octroi" ought to be done away with entirely. It is an iniquitous tax, unjustly levied

The same applies to the "terminal tax"

With regard to the former, it is common knowledge that due to corruption the wealthy escape, the poor suffer.

Q. 110—I cannot say.

Q 111.—No. Save and except where a structural bridge has been put over a river, in place of a ferry. In such cases a toll may be charged to cover cost and upkeep

Q 112—Land tax ought to be levied on the owner House tax on the occupier. These should fluctuate as little as possible, *i e*, the assessments should be for periods of not less than 5 to 10 years To the last question, yes, he generally does.

Q 113—I have never resided within municipal limits, at the same time I am firmly of opinion that an equitable tax should yield such as would provide for all general requirements

I consider that such taxes should be limited to cover actual needs I venture to write plainly, and state that the difficulty lies with the assessors, who cannot be trusted

Local bodies should have no power whatever to levy new taxes without the express sanction of the Government of India.

Such sanction to be given only after proper investigation.

Q. 114.—I do not know.

Q 115—A fair rate on its development value A landlord who lets the land lie undeveloped to be taxed at the same rate as adjoining developments. Here again is the difficulty of assessors.

Q 116—My experience is *nil* I consider a tax on companies, and manufacturers of cotton unfair, as both are taxed on profits. As regards the latter any such tax would fall on the purchaser obviously. Professional men pay a tax for their certificates.

Q 117—On general principles I am against this Also very much against "subsidies." If however any such be granted, their repayment with fair interest should be absolutely secured.

Q 118.—No

Q. 119—I understand that all business profits are already heavily taxed The rest of the question, no.

Q. 120.—Mostly unsound, and unworkable. Not suitable to India.

Q. 121.—I most firmly maintain Indian tobacco in any form should not be taxed.

Q. 122.—Grossly unjust. (2) (3) (4) This would be virtually creating a "State monopoly."

Q. 123.—None. They would be bitterly (and rightly so) resented by the natives of India, and cause great hardship.

Qs. 124-125.—Above applies.

Q. 126—No. Bribery and corruption would be rife.

Q. 127.—No.

Qs. 128-131.—Replies given above meet these.

Q. 132.—None should be imposed on Indian tobacco, raw, or manufactured

The duty on imported tobacco is necessary. As for cigars, cigarettes, and smoking mixtures, the duty should be graded into 2 grades. All from non-British countries should fall in the highest grade.

Q. 133—*Ad valorem.*

Q 134—Duty (Annexure N) on leaf should not exceed annas 8 to annas 10. That on cigars, and cigarettes is very excessive. It is most unjust to Europeans by whom they are mainly smoked, a 25 or 30 per cent. graded on quality, *i.e*, price, would bring in just as much in the long run.

Decrease in export of Indian cigars is due to the fact they are not appreciated by the majority of smokers in other countries.

No local taxation on any tobacco

Qs. 135-136—Partly answered Most undesirable in every way.

Qs 137-138—True this tax is levied, but it is an unjust imposition On payment of ordinary probate fees, and income-tax by the successor nothing more should be demanded Death cannot be prevented This duty presses unduly if such successions occur at short intervals in the same family.

If introduced in India the tax should be on the gross income of the estate.

On the amount of each individual who shares in the same

Q 139—Yes. To all three

Q 140—United Kingdom—Estate Duty Unfair on all over £10,000. Up to £5,000 2½ per cent All over this 5 per cent.

Legacy duty 5 per cent for all persons.

Q 141—As appropriate in India as anywhere else. From all persons who succeed, or inherit. I fail to understand (*c*).

Q. 142—Yes.

Q 143—The main point is; value, or income? It should be the latter. Incomes from property not exceeding Rs 5,000 should be exempt I cannot follow the plea of Sir James Stephen, as I fail to see why the successor should not be as capable of making the property pay as his predecessor.

Q 144—No

Q 145—Impossible to say.

Q 146—In India we have two nationalities living under the same laws and regulations A tax of this kind should be fair to both (European and

Q. 152—Yes.

Q 153—No.

Q 154—Yes. I consider the duties excessive as regards liquor.

The great number of rates merely leads to extortion and oppression, 3 at most should suffice, and they should be the same throughout the country fixed by the Central authorities. I have before said the making of foreign liquors, or rather imitations of them, in India ought to be stopped.

Local Governments should have no power to add to or lower rates.

Q. 155—Indian grown and manufactured tobacco should never be taxed.

Q 156.—Yes. There should be no division of the proceeds.

Q. 157.—Yes. No.

Q. 158—Am unable to say.

Q. 159.—Do.

Q. 160—I most firmly maintain local bodies should have nothing to do with general taxation, as apart from the usual municipal dues.

Q 161.—I cannot understand the meaning of "surcharges" in this question.

Q 162.—Yes. Most certainly.

Q. 163.—No.

Q. 164.—No.

Q. 165—Right in principle.

Q. 166.—No.

Q. 167.—Most assuredly. Central control is essential.

Q 168.—Am unable to say.

Q 169—The only thing I can say is that in my opinion there are far too many "staffs" more especially in all Executive departments These are an

possible.

Q 171.—Absolutely true. I write plainly and remark that the main trouble in this country is "corruption" It is rife throughout the land, and ever will be. I do not for a moment contend it does not occur in England and other European countries, but it is a thing inherent in all the East

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Written memorandum of the Bihar Planters' Association.

With reference to the questionnaire forwarded with your letter No. 97-T. of 20th December 1924, I have circularized the members of the North Bihar Branch, European Association, with a view to finding out the average expenditure incurred by a man drawing Rs 500 per mensem, which sum can be taken as the average pay drawn by planters and others in this district. The average yearly expenditure under —

	Rs.
1. Imported stores	760
2. Clothing	735
3. Petrol and car expenses	780
4. Bazar	600
5 Medical	255
6 Miscellaneous including servants	1,590
7. Holidays (not allowing for trips home)	485
8. Travelling	220
9 Unforeseen	385
Gives a total of	5,810

This represents the expenditure incurred by a bachelor. Many I may say are married and have to meet the expenses of a wife and family, which includes education and extra insurance premiums. It means that a single man can barely live on the pay he draws and if he has no private means can save nothing, while a married man without private means must get into debt

It may be said that a motor car is an extravagance. Isolated as one is in most Bihar factories, a motor car is a necessity, and costs less than it would to keep a trap and horses which would be the only alternative. (I may ... l is a disgrace to those responsible, ... The budgets have been submitted ... nditure incurred, and in most cases ... ieco In one case, the writer mentions that he has had 10 months leave in 41 ... a luxury as holidays. In no case has the ... one's friends been allowed for. The burden ... on all commodities necessary to the Europ... moved and taxation levied in such a way that the revenue required will be more equally derived from Europeans and Indians. A poll tax would in large measure remedy the evil while a system of Premium Bonds on which interest at a low rate would be paid with periodical drawings for prizes would attract all residents in, and inhabitants of the country.

The life of the British non-official of small means in this country is one long up-hill fight against climatic conditions and penury and the difficulty of giving his children a decent education according to the traditions of his race. He gets no consideration on any point. No Commission comes to his rescue to help with passages home, increased pay, or compensation of one sort and another, and yet he is the backbone of the Auxiliary Force India and among the first to volunteer when war breaks out. He is strained to breaking point and unless some inducement is given to retain him in this country, India will soon come to the end of what is already a fast dwindling and disheartened community.

Mr. Manners gave oral evidence as follows :—

The President Q.—Are you representing the Bihar Planters' Association?

A.—Yes, Sir.

Q—Are you a member of the Association?

A.—I am not a member, but I was asked to represent the Association as being the eldest planter and one of the most experienced I was a member of the old Association before it was formed into a limited company.

Q—Is it an Association of employers or it does include the employees?

A—I mean to say a manager of an indigo factory can be a member of the association if his concern is a member of the association. If the concern is a member of the association, then, of course, the manager is a *pro formâ* member.

Q—He would represent the employer?

A—Yes.

Q—A man on Rs 500, would he not be generally an employee?

A—He will be in a dual position In his position as manager he might represent the other partners as well as himself.

Q.—Rs. 500 would represent the manager's salary?

A—Yes.

Q—Would there not be a commission in addition?

A—Yes, Sir He would also get certain allowances for horses and so on. He would either get the horses from the factory or he would draw an allowance for them.

Q—So there would be very few people who actually get Rs. 500 as their whole income?

A.—They draw their salary in this way The manager gets his pay Rs 500 or Rs. 400, whatever it might be, and gets a 5 per cent commission on profits and he is allowed certain allowances His allowances are for food, fuel and lighting, etc.

Q—It includes a free house also?

A.—Yes, Sir.

Q.—Do they get free servants?

A.—They don't get servants free. They are only allowed a free chaukidar in charge of the bungalow.

Q.—So that the actual income would be something more than Rs. 500?

A.—Yes.

Q.—Now you have given us an outline of the income and the expenditure of a man of the standing of manager? Could you give us an idea of the amount he pays as taxes?

A.—I cannot give you an exact account of the taxes paid. He pays taxes in all sorts of different ways. For instance, if he is found of liquor, he pays a duty on liquor.

Q.—May we begin now with land revenue. What amount of land revenue does he pay?

A.—He does not pay land revenue himself, but the concern pays it. They differ as the case may be I speak personally; the little property I have is entirely my own It is split up. I have got portions here and there. I have these lands in perpetual lease. I pay Government revenue and cesses.

Q.—Could you tell us actually what is the proportion of land revenue you pay to the average profits of the concern?

A.—I am sorry I cannot tell you that. We do not go into details. Our balance sheets are very rough ones.

Q.—Supposing your land revenue is "X," and your profits are "Y," could you tell us what fraction X is over Y?

A.—No, Sir. Unfortunately I had no hint of this question. If I had, I could have worked it out and given you the figure. All that I can say is that I pay a pretty large sum in the shape of Government revenue

Q.—Could you give us the figures later on?

A.—Certainly I would try to give them to you.

Q.—I want to know what proportion of your profits you pay as land revenue?

A.—Certainly I would work it out and send it to you. If I am able to do so, I will certainly give it to you.

Q.—Can you tell us the percentage of land revenue to the economic rent?

A.—Will you please explain to me what you mean by economic rent?

Q.—I mean the net return The net return from the concern after deducting the cost of working?

A.—As far as I am concerned, I can very safely say I have had no profits for the last nine years I think that is the position of most of the planters. We did very well when indigo was doing well, now that indigo is smashed up, we are losing very heavily

Q.—Even in the last few years when there were bumper crops?

A.—No We have not had bumper crops lately Our crops have failed Now the wheat, barley and other crops are being reaped. It is just now being cut everywhere. Our cold season crops were practically a failure and the wet season crops promised to be bumper crops, but unfortunately everything was washed away by the floods Down came the floods and swept away practically the whole thing That is the condition of a great many planters. Of course, in the South they did not suffer as we suffered in the North. The result is now that I do not know how to make both ends meet I do not know the condition of my brother planters, but I hear that conditions are the same with them.

Q.—You are working on the sharing system?

A.—Yes.

Q.—You are not cultivating yourself?

A.—No.

Q.—You sublet your land?

A.—Yes, on the *batai* system. It is divided into five shares; I take as landlord ⅖th and give the tenant ⅗th.

Q.—You pay the whole land revenue?

A.—Yes.

Q.—You pay the whole of the cess?

A.—Yes With regard to my *milkiyat*, I pay all the cesses. The tenants have got separate holdings, on that I pay half-anna and the tenant pays half-anna I collect from the tenant.

Dr. Paranjpye. Q.—Are these annual?

A.—Sometimes annual and sometimes half-yearly.

The President Q.—Do I understand rightly that in spite of the low incidence of the land revenue in a permanently-settled area, you cannot make farming pay with ordinary country crops?

A.—That is an absolute fact. I am positive about it. Nobody in Bihar can deny that With one or two exceptions who are particularly well off in having money behind them besides what they make from their own property, and have done well with sugarcane, the others are very badly off.

Q.—You say country crops never pay, do you mean to say that in the case of country crops, you suffer from thefts?

A.—That is the thing That is why we do not grow crops ourselves Unfortunately the Magistrates do not understand the magnitude of this crime. The point is this. I have got lands scattered over, say, 9 sq miles, and I cannot put a watchman on every plot Even if I did, the watchman and his family live upon it The little children and others go on picking the crops. At first it may look very little, but in the long run it amounts to a great deal of loss When you see the total loss, it is appalling and you cannot control it. The Magistrates are reluctant to punish.

Q.—If you had your cultivation in a ring fence, you could control it?

A.—We cannot do that My lands run over about 12 villages, all scattered about, roughly covering 6 sq miles

Q.—It depends upon the circumstances in which you acquired each plot?

A.—Yes

Dr. Paranjpye. Q.—In making up the accounts of your business, you, of course, take into account the land revenue you pay as part of the standing expenditure of your business?

A.—Of course, we do.

The President Q.—What rights do your occupancy tenants have?

A.—Absolute right I can do nothing to them

Q.—Can you not increase their rents?

A.—No, except by going to Court You get only 1 or 2 annas increase after about 10 or 15 years.

Q.—In the case of your own lands which you let yearly or half-yearly, you can increase the rent?

A.—Yes, to a certain extent If the season is very favourable, I may ask the tenant to pay one rupee more, that is all

Q.—Are they cash rents?

A.—What I do is this. It is only optional, but the men prefer it Now there is a field and I know practically what that field's yield will be I estimate the cash value of the yield, of course, roughly I ask the man to pay the cash value Out of that cash value he takes ⅗th and I take ⅖th. So whatever my share comes to, they pay me in money instead of grain That is the way I work it

Q.—Supposing your normal share is ⅖th, you can occasionally raise it to half?

A.—I could raise it to anything, but I never do it because it would be fatal.

Q.—When you take your cash rents, obviously the rents would vary according to the prices of wheat?

A.—I do not make any alteration like that.

Q.—So that your rents are practically cash rents based on the hypothesis that they are equal to ⅖th of the produce?

A.—Yes. But I want to tell you one thing and that is, what I have said is my own experience What others do, I do not know. I know some others do otherwise, but I have arrived at that stage of life when I can manage my own things without interfering with other people's affairs. There used to be a great deal of difference in other factories over crops like tobacco, etc. I do know in those factories the custom was for the factory to take 3 parts out of 5 and the cultivator to get only 2, but against this the factory supplied the manure. The refuse of indigo, what we call *seet,* is admitted by all the agricultural chemists to be the finest manure for any agricultural produce. We used to give them this manure. They used to cart it away and we gave

the actual stuff free, but the fact is that the factory owners got 3 out of 5 and the cultivators got only 2. I do not do anything like that.

Q.—What is the rate of wages roughly for an agricultural labourer in your part of the world?

A—That varies very much indeed upon the particular time of the year. Sometime you can get a cooly for a couple of annas and sometimes you cannot get him at all

Q.—The wages in your part of the world are very much lower than in other parts of India?

A.—I do not know that.

Q.—What is the pay of the village chaukidar?

A.—His pay is Rs. 5 or Rs. 6.

Q.—*The village school master's pay?*

A.—I cannot say that

Q.—What is the wages of a syce?

A—We used to get him for Rs. 5 a month without food, but at the same time you must remember they are our own tenants. They have got lands and they are doing fairly well.

Q—You do not give them a plot of land free?

A.—In factories the great number of them get a little bit of land round their houses free and we generally help them with bamboos, etc., for constructing their houses

Dr. Paranjpye *Q.*—What is the average size of plot you let?

A.—There is no limitation.

Q.—What is the usual size of a small farm?

A.—A man who, you might say, lives practically by labour on the land, that man may hold as a tenant anything from half a bigha to 2, 3 or 4 bighas.

Q.—Is this enough for him to live upon for the whole year?

A.—No, he works as well

Q—But the whole community lives on the basis of land?

A.—Yes.

Q.—They do not do other work?

A.—Why, they work for me as daily labourers.

Q.—The agricultural occupations are seasonal occupations?

A—Probably so, but I try and suit my need to their time. I do not ask them to give me their ploughs, when it is of paramount importance for them to plough their own land.

Q.—If they get enough work during the remaining period, say six months, it is sufficient?

A.—That is quite sufficient for ordinary families, I mean to supply their bare necessities, that is to say, with actual food. I may say that their food is more or less provided from the land. Then anything that they may make over and above that, they utilise for buying clothes, expenses of marriages and other things.

Q.—Are there any cottage industries in your province, such as spinning or *biri*-making for instance?

A.—There are none or very little in Bihar.

Q—They do not manufacture their tobacco into *biris?*

A.—No.

Q.—Are there any persons who own no land and who are merely daily labourers?

A.—Yes; but they are few.

Q.—Those few stay during the agricultural season and go away during the remaining period?

A.—Sometimes a number of them would go off to Bengal at the time of cutting the jute or they go away at certain times for the paddy cutting in Bengal.

Q.—Would it be right to say that in the case of these daily labourers they would be practically engaged every day for six months of the year at a certain rate of wages and for the remaining six months they would be engaged for about a fraction of their time?

A.—I think you may say that out of 12 months they are practically engaged for 9 or 10 months. They are getting enough to live upon; I do not say it is in luxury.

The President. *Q.*—Could you tell us what the yield of tobacco is per acre? Is the yield very variable?

A.—An acre of good tobacco ought to yield (dry leaves) about 10 maunds.

Q.—If it is grown on bad land, does it give much less?

A.—Yes. In a year of floods and tremendous moisture like the present one, the land becomes impregnated with what we call *usur* which is a kind of salt; a great deal of the salt gets washed away and the cultivators grow chillies or tobacco in their ordinary lands.

Q.—What will the yield be then?

A.—About 5 maunds, the yield would vary from 5 to 10 maunds.

Q.—What do you say to taxing tobacco on the acre cultivated?

A.—I think that it would be unjust to put a tax on tobacco; but if you are going to do it, that is the fairest way, because you will never get at the outturn.

Q.—Would the poorer classes in your locality prefer a tax on tobacco to a tax on salt?

A.—Most certainly, they would prefer a tax on salt I want you to understand that, as far as North Bihar is concerned, the cultivation of tobacco and chillies is practically in the hands of cultivators. The labouring classes, the smaller men, do not go in for them. The good agriculturist, perhaps a man who has 20 or 30 acres under cultivation, would have an acre or two in tobacco and 4 to 5 acres in chillies

Q.—What are the stages of the preparation of the tobacco?

A.—The year is divided into two divisions. One is called the cold season crop, which is now being cut. If a man is going to put tobacco on a plot of land he must not cultivate it in the rainy season, because tobacco takes a great deal out of the ground. He should plough the land, perhaps every ten days; after that, the tobacco is sown and planted; then he gives the land a thorough ploughing again in order to level it.

Q.—What does he do for the process of curing?

A.—He does nothing except drying the leaves

Q.—Does not he hang them up at all?

A.—No

Dr. Paranjpye *Q.*—Does he cut the whole plant or does he cut the leaves?

A.—He cuts the whole plant near the ground. Then he just lays them on the ground in the sun and takes them out and packs them into bales of certain sizes for sale. Tobacco buyers then come round and buy them. There is a big tobacco factory in Bihar, called the Indian Leaf Tobacco Company near Samastipore. There tobacco is not prepared; they simply dry the leaves in large quantities, take the stick and rib out of the leaves and send them to the Factory at Monghyr to be made into cigarettes.

Q.—What do they do with the sticks and ribs?

A.—They sell some of them for manure purposes and they sell some of the dry root for making snuff

The President. *Q.*—How long does the drying take?

A.—In fine weather, over 15 days.

Q.—Is there any process of fermentation?

A.—Slight fermentation does take place. Generally speaking, the cultivator puts the tobacco out for drying, in the evening he takes them all up and lays them in a pile A certain amount of sweating goes on; it is mild fermentation. He does not really know any scientific reasons for that; I speak from experience. Next morning again he lays the tobacco down in the sun and this process goes on until the leaves are perfectly dry

Q—When the leaves are perfectly dry, are they in the form in which they are ordinarily consumed in the bazar?

A.—Yes.

Q—Does he make a twist of it or anything of the kind?

A.—No.

Q.—Does the manager of the factory pay income-tax?

A.—Yes, on his pay.

Q—On his profits?

A.—Of course.

Q.—Are they not income derived from agriculture and so exempt?

A.—That was the point I pressed, but Government consider this a manufacturing process

Q—But under the Government of India rulings, it is only on the manufacturing profits of the tea planter or the sugar factory that income-tax is levied.

A—In fact they are more agriculturists than we are If the tea planters have to pay, then we are bound to pay.

Q.—They pay on the profits of the processes of manufacturing tea as distinct from the cultivation of the tea plant They keep two sets of accounts, one to the stage up to the end of the cultivation, and one to the manufacture and sale.

A.—Practically we did the same, but our way of calculating profits was a very rough one. We are not business-men. If I sold a certain quantity of indigo at a certain price, the price I received *less* my expenditure was the profit and I got my 5 per cent

Q—I am trying to get away from indigo. At present are you preparing any article for the market?

A—No

Q.—How are you liable to income-tax then?

A—I do not say I am now. I am paying income-tax only on my own salary now.

Q—A manager under a company would have to pay income-tax on his salary and on his commission?

A.—Yes.

Q.—But will not his commission be directly income derived from agriculture?

A.—Government do not differentiate that. A manager's pay, allowances and commission form his emoluments, and he is liable to income-tax on his total emoluments.

Q.—Does not the customs duty fall heavily on a European getting Rs. 500 a month?

A.—If I want a bottle of whisky, I have now to pay double of what I paid years ago.

Q.—That is the same all the world over.

A.—Yes.

Q.—What about the duty on motor cars?

A.—It is an iniquitous duty. When I first got my car, it was perhaps a luxury; but now to a planter a motor car is a necessity. I do all my work in my motor car.

Q.—That tax would only affect you when you get a new car; you do not very often do it?

A.—That is true. I was saying that a motor car is not only necessary for a European, but thousands of Indians employed as Engineers or Health Officers find it very useful. A large number of Indian zamindars round about my part have got motor cars. Motor cars are very cheap to run. Before I had my car, I had to keep 12 horses to do my work.

Q.—Take the case of subordinate officials, do you think they do their work better in motor cars?

A.—Yes.

Q.—They sometimes run the travelling allowance rules to death.

A.—Very considerably.

Q.—Have you ever heard of men drawing more than their pay as travelling allowance? Is not the motor car a luxury in this instance?

A.—No, you could control such cases. The advantage of a car is that a man can get over a larger area in a shorter time. If he rides a pony, he has to wait to get some one to hold it. He does a great deal more solid work by using a car.

Q.—Does not that depend to a great extent on the work he has to do?

A.—These men have plenty of work to do.

Q.—If they run about on motor cars, they fail to see things that they ought to see.

A.—That is to some extent true.

Q.—What about imported tobacco?

A.—You have to pay a fabulous price for that.

Q.—What other tax does the European on Rs. 500 a month pay?

A.—The price of his clothes is doubled.

Q.—There is an import duty on clothes?

A.—Yes, the prices of his stores have also doubled. Everything has more or less doubled in price.

Q.—Really the whole of your case is against the large increase which is taking place in recent years in the import duties.

A.—That is part of it.

Q.—You mentioned your experience of the District Board and told us that you pay 1 anna of the rents as cess. How is that ascertained in the case of rentals of *batai* land such as you have?

A.—That is more or less a kind of fixed assessment.

Q.—Are you assessed periodically?

A.—Yes, we have to send in returns, sometimes every five years, sometimes every three years and sometimes every seven years.

Q.—Is that practically the only District Board tax?

A.—Yes.

Q.—Does that supply sufficient money for the District Board services?

A.—As far as my district is concerned, I may say that it is not at all well managed.

Q.—Have you got any colliery in it?

A.—No. I maintain that the object of a road cess is to improve the communications. Enormous sums are devoted out of the road cess for other purposes, instead of being devoted for improving the roads. That was one reason why I resigned my membership of the Board.

Q.—Is it devoted, for instance, to education?

A.—Yes, to education, and sanitation including Health Officers. Then enormous sums are spent out of the road cess for building rest-houses, but the tax-payers are not allowed to use them.

Q.—Are you liable to an education cess under the Primary Education Act?

A.—I have not paid it so far.

Q.—You are not in a union; it can only be enforced in a union or municipality.

Dr. Paranjpye. Q.—The whole tenor of the statement submitted by the Planters' Association shows that the planters' life is not a bed of roses.

A.—No, it is not, because we are not making money enough to get out of it. The aim of every man, whether he is a commercial man or agriculturist, is to retire after a certain number of years

Q.—Seeing that the life is so hard and the business hardly paying from the point of view of the proprietor, new people are not taking up this planting business?

A.—Only very few are coming forward All the factories are being sold up. I will myself sell to-morrow if only I can get three-fourths of its value. I am now making nothing. It is very difficult to make one's bread and butter. I am not making a full return on the capital.

Q.—Have you read the memorandum sent by the Planters' Association?

A.—Yes.

Q.—The last paragraph of it says "The life of the British non-official of small means in this country is one long up-hill fight against climatic conditions and penury, and the difficulty of giving his children a decent education according to the traditions of his race He gets no consideration on any point No Commission comes to his rescue to help with passages home, increased pay, or compensation of one sort and another, and yet he is the backbone of the Auxiliary Force in India and among the first to volunteer when war breaks out. He is strained to breaking point, and unless some inducement is given to retain him in this country, India will soon come to the end of what is already a fast dwindling and disheartened community". Do you agree in this statement?

A.—Yes, it is a very plain fact. I will put it in another way. I came out to this country when I was a boy of 18 and have never gone back. I have got a son who is in the Navy. If I could get just enough to keep myself and my wife—I do not want any luxuries—I would gladly live here. What this statement really means is that we cannot stand more taxation, I mean the European community I quite admit that taxation is necessary and you cannot carry on Government without taxation But if any taxes are necessary, then they should be such that would hit all equally. In my opinion, a perfectly legitimate tax is the tax on money-lending.

Q.—Do any planters go in for money-lending?

A.—No. They only borrow.

Mr. B. A. COLLINS, I.C.S., M.L.C., Director of Industries, Bihar and Orissa, was next examined.

Written memorandum of Mr. Collins.

LOCAL TAXATION.

With reference to questions Nos. 106 to 118, I have studied the question of local taxation in Bihar and Orissa so far as it refers to education, which is usually classified as "national" or "onerous."

2. In this province, with a few exceptions, District Boards, which are responsible for the administration and control of primary education, have only one source of taxation, the land cess This they may impose up to a maximum of one anna in the rupee of the rent paid for any land, and in practice all the Boards have imposed the maximum cess As the law stands, they are at present unable to raise any more funds and the only

possible growth of revenue springs from the process known as "cess re valuation by which the profits from land and other sources are revalued periodically The actual increase which they could obtain this way, is, as a rule, very limited. A few fortunate Boards have coal mines in their districts and obtain very large incomes from cesses levied on these mines Speaking generally, however, the resources of the Boards are definitely limited and cannot be substantially increased Many of the Boards receive an extremely small income from their land cess, others obtain a relatively large one But it does not follow that the inhabitants of the districts with small incomes are really poorer than those with large ones, since the cess collected depends simply on the rent which the cultivators pay In point of fact, in some districts where the rent level is low, the raiyats are extremely well off and can easily afford to pay higher local rates The district of Singhbhum is a case in point I myself was employed for two years in the preparation of the record-of-rights in that district and know the local conditions of a part of it fairly well I consider, and the present District Officer, who has been stationed there for some years, agrees with me that the cultivators in this district many of whom also seek employment in the Tata Iron and Steel Company, and other companies operating in the district, could well afford to pay twice or three times the present local rates.

3 On the other hand, some of the districts, which have a very high cess income, are not better off than those which have limited ones For instance, the three districts in the Patna Division—Patna, Gaya and Shahabad—enjoy, with the exception of one coal district (Manbhum), the three highest cess incomes This is due to the fact that the produce rent system is prevalent in this Division and the landlords thus obtain a much higher share of the produce of the land than they do in North Bihar where cash rents are usual It might indeed be argued that under the present system the more the cultivators are rack-rented, and therefore, the less well off they are the higher rate of local taxation they have to pay This is not entirely true but there is a great deal of truth in it On the whole, the cultivators of Patna Division are not relatively badly off, and I certainly do not think that the local taxation weighs heavily on them But this very fact tends to show that the cultivators in North Bihar are relatively lightly taxed and could, I think, easily pay double the present local rates without feeling them All this seems to show that the principles of local taxation in this province require to be changed In the "pre-Reforms" days any such change was always resisted on the ground that the District Boards were not truly representative of the people, since most of them consisted of nominated members This argument no longer holds good, since most of the members of all District Boards are now elected on the same franchise as that adopted for the Legislative Council In point of fact, extra local taxation is badly needed for primary education But before discussing this point, I will turn to the aspect of the matter that is raised in questions Nos. 117 and 118.

4 In considering the manner in which local bodies should share with the Local Government the burden of national or onerous services, it is not possible to make any very valid comparison with the conditions in Great Britain. There the resources of the local bodies are drawn mainly from the land, while the Central Government relies on income-tax, customs duties, death duties, etc, etc. It is true that owing to the way in which the land tax is assessed by local bodies, it is distributed fairly evenly among all classes, but in considering the share which the local bodies and the Central Government should bear in an important national service like that of education, one must be influenced by the fact that the taxes levied by the Central Government are paid somewhat disproportionately by the wealthier classes, and on the whole by those classes who, at any rate, do not bear more than their proportionate share of the local cesses. Therefore, in so far as the Central Government contributes towards the cost of a service like education, it probably results in the wealthier classes contributing more towards it than they would otherwise do. In India the situation is quite different, owing to the fact that there is a federal system Those

sources of revenue on which the Central Government in Great Britain relies are mainly enjoyed by the Government of India and there is not so much difference in kind between the taxes levied by local bodies and the Local Government One-third, approximately, of the income of the Local Government is derived from land revenue, while most of the resources of the local bodies are also derived from the land The other main source of revenue of the Local Government is excise, and, if anything, in India this is contributed disproportionately by the poorer classes Stamps, another large source of provincial revenue, are also contributed fairly equally by all classes In considering, therefore, how the cost of education should be shared between the Provincial Government and local bodies, it is hardly possible to apply the analogy of a country like Great Britain. I myself have not any experience of the systems of other federal countries. The considerations which should carry weight in deciding how, if at all, the cost should be shared seem to me to fall under two heads—(1) As the local bodies do and must administer and control primary education, subject to certain conditions laid down by the Local Government, it seems most desirable that they should bear a substantial part of the cost If it was entirely financed by grants from the Provincial Government, there would be a tendency towards extravagance. If the local bodies know that they have to pay part of the cost, this would tend to make them more economical in their administration. (2) Some districts are more backward than others, and in spite of what I have said above some are really poorer than others If local bodies had to finance primary education entirely, the results would be that while some of them could afford to introduce free and compulsory education in the near future, others would be left behind for many years to come This is certainly not desirable province as a whole. Progress ible. These two considerations incial Government and the local ards the cost of primary education. After careful consideration, it seems to me that the best proportion would be half and half.

5 If the money required for introducing free and compulsory education, which is estimated roughly at one crore recurring, is to be raised in this province, this can only be done by a cess on the land The total amount at present raised by the one-anna cess is roughly Rs. 70 lakhs (of which several lakhs come from coal), and although public opinion is not yet sufficiently stirred to favour District Boards being given power to raise as much as may be necessary in each case, at least they might be given power to raise a special cess earmarked for primary education not exceeding half an anna in the rupee of rent. At the same time the Provincial Government might be empowered to levy another half-anna for the same purpose. If legislation on these lines were introduced, it would be possible for the Local Government to undertake to add an equal amount to whatever sum was raised by any local body for the purpose of education. The money raised by the Local Government would, of course, be levied equally throughout the province, and there would thus be an incentive for local bodies to levy additional rates for education in order that they might share in the proceeds of taxation which would be levied on them as well as on the rest of the province

6. Unfortunately, there is considerable nervousness in this province about extra taxation, and public opinion is certainly not yet ready to impose extra taxes for even such an object as primary education, which is now becoming more and more recognised as essential for the national well-being. This nervousness extends even to giving local bodies power to tax themselves, partly, I suppose, because the general public do not trust those whom they elect as their representatives, and partly because they are not willing even to run the least risk of extra taxation being imposed. This attitude has been made very obvious in the Local Legislative Council While, therefore, I have given my opinion, as to the lines on which progress should be made,

I fear that any attempt to introduce new taxation for education is not really feasible at present.

NEW SOURCES OF TAXATION FOR THE PROVINCIAL GOVERNMENT.

The only two new sources of taxation, which would bring any substantial income to the Local Government which I have at all studied, are coal and lac. Although I do not personally think that a tax of a few annas on coal would be such a very great burden either to the coal industry or those dependent on it, still I recognise that the opposition from the Government of India and other provinces to any such tax would be so great that it is really impracticable at present I, therefore, do not propose to waste time discussing it

2. The case of lac is somewhat different Lac is practically the monopoly of the Indian Empire The only other countries that export a little lac are French Indo-China, Siam and the Straits Settlements; but their exports are negligible. On the other hand, a very large proportion of the lac produced in India is exported and the possibility of an export tax, therefore, naturally suggests itself This is all the more attractive because the fluctuations in the price of the finished article are so great that it seems hardly likely that a small tax on shellac or stick-lac, as the case may be, would have any appreciable effect on the industry This industry has been carefully examined by Messrs Lindsay and Harlow, whose report is published as Vol VIII, Part I of the Indian Forest Records, and I presume that the members of the Committee have access to this report It will be seen from the statements on pages 78-79 that it is estimated that just half the lac produced in India comes from Bihar and Orissa, *i e*, about 670,000 maunds out of 1,127,000 maunds of stick-lac This estimate is confirmed by the figures given in the "Report on Trade carried by Rail and River in Bihar and Orissa" in the official year 1920-21, the last year for which these figures were published From page 29, it will be seen that the exports of lac, that is, shellac and stick-lac combined from Bihar and Orissa, totalled 332,000 maunds Allowing for loss in conversion from stick-lac into shellac, this corroborates the figures given in the statement already mentioned fairly closely, since these estimates are necessarily somewhat vague. Again, according to the statements on pages 88-89, it will be seen that the average exports from 1914 to 1919 were in the neighbourhood of 200,000 cases or 400,000 maunds, and these exports consist mainly of shellac, as will be seen from a reference to the "Accounts for Sea-borne Trade and Navigation." Since 1919, the exports have steadily increased, and for the year ending March 1924 they amounted to 520,000 maunds For the nine months ending 31st December 1924, they have shown some falling off, but are still higher than for the corresponding period in 1922.

3 This increase in demand has taken place in spite of the fact that of all commodities, I imagine that lac has lost the least in value since the boom period after the war. The price quoted in "Capital" for the 6th January for T. N is Rs 134 as against less than Rs. 100 per maund in Calcutta in January 1919, and the previous highest price of Rs. 110 a maund in 1906. During the intervening period, it has maintained a high level and has been up to Rs. 240. Under these circumstances, I am unable to see that there is any danger in putting a small tax on lac The conclusions reached by Messrs. Lindsay and Harlow (see especially page 95 of their report) are that there is not much danger from substitutes, but that in the interests of the industry measures should be taken for increasing the supply of lac and equalising the crops so as to make such danger, as did exist, less formidable. I cannot, however, myself see how the imposition of tax of, say, Rs. 5 a maund on shellac would be any serious danger to the lac industry, while such a tax might bring about twelve lakhs to the provincial exchequer.

4. The collection of the tax would not cause any great difficulty. The simplest way of collecting it would be as an export tax to be divided in agreed-on proportions between the various provinces concerned; but another

method would be by a levy on the despatches by railway, stick-lac and shellac being assessed separately. Difficulty might, however, arise in cases in which stick-lac was booked to factories for manufacture into shellac. I think, therefore, that, on the whole, an export tax would be the simplest. I have not been able to go into much detail regarding the method of collection, because the interests concerned are naturally much opposed to such a tax, and I have not been able to obtain the necessary information This could easily be gathered, however, once it was announced that the tax was accepted in principle and the co-operation of the Indian Lac Association was invited as to the best method of levying it

5 This tax is proposed as a provincial tax Bihar and Orissa, like other provinces, suffers very much from being unable to share in the profits of industry Big concerns like the Tata Iron and Steel Company are white elephants, because the income-tax from them is collected in Bombay or Calcutta, while the Government of India gets customs duties and the profits of railways If any tax is to be levied on this industry, therefore, it should go to the provincial Governments in order to assist them in providing the services which these large industries require. At the present time, the Local Government have to provide services in respect of police, magistracy, etc., and get no assistance from the taxation which they pay.

Mr. Collins gave oral evidence as follows :—

The President. Q —Can you tell us what the pay of a teacher in a primary school is?

A —There are a certain number of minimum stipends laid down by the [illegible] cher who has passed [illegible] *plus* the fees that he [illegible] Rs. 4 a month on an [illegible] the minimum stipend *plus* the fees that he collects Actually, of course, in Board schools higher rates are paid; but most of the *gurus* are what we call stipendiary *gurus*.

Q.—The Boards have only one sort of taxation?

A —Yes, for practical purposes I am not very strong on the Local Self-Government Act, but practically they have very small incomes from pounds, ferries, etc The chief source of revenue is the cess on land and also on mines in some districts

Q —There is no tax imposed except on agricultural land and mines?

A.—At any rate no other brings in anything worth having.

Dr. Paranjpye. Q.—You say, " as the law stands, they are at present unable to raise any more funds and the only possible growth of revenue springs from the process known as 'cess revaluation' by which the profits from land and other sources are revalued periodically ". Who does this revaluation?

A.—Generally a Deputy Collector is lent to the District Board and he does it.

Q.—Is this practically something like settlement work in the raiyatwari tracts?

A.—He is only concerned with the profits of zamindars and others and the valuation of produce rents. The cash rent is fixed when the record-of-rights is prepared.

Q.—Is there any tendency to cook the figures of rent to escape the cess?

A.—They cannot cook the figures of cash rent because that is in the record-of-rights; and in the case of produce rents it is not in their interest to cook them because they are bound by their returns of rents in case they file any suit for recovery of rents.

Sir Percy Thompson. Q.—Do you think that any part of the cess should fall on the landholder?

A.—Yes; I do not see why it should not.

Q—The person who enjoys the amenities provided is the raiyat.

A.—But the zamindar draws the rent from the land.

The President *Q*—In some districts, is not the sub-infeudation so great that it is almost raiyatwari, say, Chapra, for example. The landholder himself is a very small person

A—The biggest landholder is the Maharaja of Hatwa who owns half the district.

Q—Is not a great part of the district sub-divided into small estates each of which pays its own land revenue direct?

A.—It would be so at any rate in a number of districts where there are no very large landholders.

Q.—Are there many unions in the province?

A.—There are very few. At present they only exist in semi-urban areas. We passed the Village Administration Act, with the idea of creating unions with wide powers, magisterial and judicial, all over the province and they are being established

Q.—Will they also be able to levy the primary education cess?

A—They may levy a cess or tax which can be used for primary education, sanitation, medical relief and so on. There is also a provision in the Primary Education Act for the levy of education cess in municipalities and that Act is also applicable to the Unions.

Q.—But I understand that no municipality or union is able to put that Act in force.

A.—Yes. It has been in force in Ranchi Municipality for a number of years, but it has never raised any cess It has now been applied to one other union and that also has not raised any cess.

Q—You say, "a few fortunate Boards have coal mines in their districts and obtain very large incomes from cesses levied on these mines".

A.—Yes.

Q—There has been no endeavour as in the Central Provinces to constitute separate District Boards in order to enable the coal mines to get the benefit of their payments.

A.—There has been discussion about dividing the Manbhum district which consists of the coal area divided by a river from the rest of the district; and it looks very much as though a separate district will be constituted now.

Q.—For local purposes?

A.—For all purposes. As a matter of fact the division has taken place for practically all purposes except for District Board purposes.

Q—You say, "in point of fact, in some districts where the rent level is low, the raiyats are extremely well off and can easily afford to pay higher local rates".

A.—Yes. For instance, in the Singhbhum district, they pay Re. 1 or Rs 1-8 for the best class of lands, though the produce is very good there, while there are similar lands in other districts which pay Rs. 5 or Rs. 5-8.

Q.—There is a maximum at present of one anna in the rupee for the cess.

A—Yes.

Q.—Other provinces put it up to two annas.

A—I do not know.

Q.—Would your Council pass a higher rate?

A—I do not think it would at present.

Sir Percy Thompson. *Q*—What I really suggest is that it will be unfair to make the cess heavier. The District Boards are providing certain amenities and it is the inhabitants of the district that should pay for them. The landlord may do nothing at all; he merely owns the land. Why should you make him pay for amenities which are enjoyed by the other people?

A.—If anything I would tax the absentee landlord more heavily.

Q.—But when a cess is raised to provide some particular amenity, I fail to see why the landholder who lives elsewhere should be called to pay any part of it.

A.—In the poorer districts all the cess goes to the roads and nothing goes to education and sanitation. Further, the relation between the landholder and the tenant in this country is so different from that in England that you cannot pursue the analogy.

Q.—Even with regard to roads, if it is a fact that you are going to make the landholder pay because you say that the roads improve his property, the improvement should be reflected in a higher rent, then only he may pay a higher cess.

A.—The rent is by no means fixed The rent can be enhanced when the record-of-rights is revised; and they do get enhancement when there is a rise in prices.

Q.—But do they get enhancement because the roads are improved?

A.—I think it is one reason why districts become more prosperous and the price of agricultural produce rises.

Q.—In your view it is right that they should pay half and half?

A.—Yes, I think so.

Q.—I do not quite follow the statement in the beginning of paragraph 3 of your memorandum "Some of the districts, which have a very high cess income, are not better off than those which have limited ones".

There the landlord and the cultivator share the produce half and half or in certain fixed proportions.

Q.—If you are thinking of the cultivator, I should have thought that it is quite opposite.

A.—As a matter of fact, I think that though the cultivators in Gaya pay a considerably higher rate of rent, they do get a proportionate benefit from their land. On the other hand, they are more or less rack-rented. The mere fact that they are paying more rent does not mean that the man is better off. Therefore the people in Singbhum can afford to pay two or three annas, whereas that cess would press heavily on the cultivator in Gaya.

Q.—In paragraph 4 you say, "it is true that owing to the way in which the land cess is assessed by local bodies, it is distributed fairly evenly among all classes". The poor man does not pay much tax. Does he?

A.—Under stamps, including registration, he pays.

The President. *Q.*—Does he contribute much of that?

A.—The amount of encumbrance in many of the districts is very high.

Q.—Are transactions up to Rs. 100 registered?

A.—Any transaction in land, though registration is optional, is in practice registered.

Q.—You say, "as the local bodies do and must administer and control primary education". Why?

A.—Because it would be impossible to centralise.

Dr. Paranjpye. *Q.*—In Bombay it used to be done till very recently.

A.—But I think it is a very bad system.

The President. *Q.*—You say that you would estimate roughly the cost of free and compulsory primary education at one crore.

A.—Yes; the extra cost of giving such education up to the lower primary stage only.

Q.—In Bombay with a population of half of that in Bihar, the additional cost was estimated to be a crore and 20 lakhs.

A.—We always consider that Bombay is very extravagant.

Q.—This is, of course, the lowest possible estimate. Is there any guarantee that when these boys come to manhood they would be able to read?

A.—No. A large number would probably relapse into illiteracy.

Q.—They came to the conclusion in England that there was no use in having compulsory primary education unless you definitely provide for a five-year school course.

A.—Still we regard that as a first step. Our Primary Education Act only provides for a four-year school course. During that time they will read up to the lower primary standard.

Sir Percy Thompson. *Q.*—You say that the revenue might be raised by imposing a cess on the land. But would not that be regarded as a breach of faith in a permanently-settled area?

A.—Some people may say it is a breach. But if the cess is raised for a specific purpose and if it is merely to reinforce a similar local cess, I think the matter is different.

The President. *Q.*—Would you not need to have a corresponding tax on the petty trader and *mahajan*?

A.—Yes.

Q.—Would you have a tax on companies based on paid-up capital?

A.—They do pay now the income-tax on the basis of income. I am only concerned with the way in which the cost of primary education would be divided between local bodies and the Local Government

Q.—You suggest that the local bodies should be given power to raise a cess of half an anna?

A.—The real method is to give them power to raise as much as they like. I only suggest half an anna to start with; the Council would not now give them a perfectly free hand to raise it as much as they like Most of the poor districts can afford to pay a higher rate of cess. The Boards are only poor because they have a low rate of cess.

Q.—We will now come to your note on shellac Speaking for myself there are two or three points, firstly whether we should have a monopoly, secondly whether the duty should be imposed on shellac or on stick lac, and lastly whether we should not stimulate the production of substitutes which, I understand, are very largely used in making gramophone records.

A.—There are various substitutes, but I was informed by Mrs. Norris only recently, the head of the Lac Research Institute, that they have all come to nothing.

Q.—The next trouble is, in Germany and America they are making shellac out of the stick lac They can make it more cheaply than is done in India.

A.—I have certainly never heard that. I should be very much surprised to hear that, because they will have to pay much larger freight for taking it home

Q.—Have they not actually set up factories for that?

A.—I do not know.

Q.—If that were so, would you support a tax only on the raw material in order to help the local industry?

A.—I would place a higher tax on the raw material only for purposes of revenue.

Q.—As regards monopoly, have you got any figures for Siam and Cochin China?

A.—That is given in Messrs. Harlow and Lindsay's report for 1921.

Q.—I thought the situation has developed since then.

A.—I could not say. I do not think if there has been any very striking development. I read the commercial papers regularly and I have never seen anything to that effect.

Q.—Siam is taking a larger part.

A.—I think it would probably develop in Siam, but the figures of a few years back are here, and I do not think the development has been so very large as to nullify the figures.

Q.—The trade is one in which tremendous fluctuations take place.

A.—It has always been so in the past, before the war, during the war and just afterwards. That is one of the reasons which makes me think that the tax would not have any marked effect.

Sir Percy Thompson. Q.—Supposing a tax on the export of lac was made a provincial subject, would it not involve making the jute export duty a provincial one?

A.—I do not see any great difference in principle.

Mr. J. E. SCOTT, O.B.E., I.C.S., Deputy Commissioner, Singhbhum, was next examined.

Written memorandum of Mr. Scott.

Notes on Taxation of Mines.

Q. 105—1. Besides the sources mentioned in the question, there are some other items of revenue derived from minerals that deserve mention.

2. I.—*Income-tax* [other than that noted in (2) and (3) of question No 105]—

(1) Income-tax from managers, higher-paid workers, contractors, etc., working on mines. The greater the facilities for mining and the greater the encouragement to develop mines, the larger the income from this source.

(2) Income-tax paid by those who work up the minerals, as at Jamshed- [illegible] [illegible]naging Agents [illegible] [illegible]ctly produced [illegible] Income Tax. As this form of revenue is the subject of separate and expert consideration, I make no observations, except to point out the profit to Government by judicious assistance and fostering of mineral development.

II.—*Minor sources of revenue*—

(1) Revenue from certificates of approval.

(2) Rent paid for occupation of Government mineral lands.

(3) Prospecting fee anna 1 to Re. 1 per acre. In Bihar and Orissa annas 2 per acre paid on Government lands.

(1) is purely a fee, for the certificate is given wholly without discrimination, and is of no value as a testimonial of fitness to hold concessions. It is useful to keep check on those who are interested in mines, and as a source of unearned revenue. In the latter capacity it is equivalent to the Canadian Miner's Certificate (*vide* page 42 of Mining Notes). The total revenue under this head is considerable; the justification more doubtful. I should prefer to abolish both (1) and (3) as impediments to development. They are small taxes that clog to some extent the initial processes necessary to the taking out of leases, which are the permanent and substantial source of revenue. I prefer the United States "free for all" policy in prospecting (pages 3 and 4 of Mining Notes). I would also urge abolition of nationality restrictions upon prospecting. I see many reasons for and none against, our making use of foreign knowledge and industry in the prospecting stages. The nationality test should be applied only for holding and developing leases.

(2) This is at present very small, paid only at agricultural rates for land actually taken up and used. Theoretically, the rent should be much higher (20 times?) because the land so used ceases to have any agricultural value when the miner has done with it, and therefore might fairly be treated as if acquired outright, and its rental capitalised.

3. *Royalties*.—The real income of Government must be from royalties upon minerals in Government owned land. In regard to this, Government may be regarded either as the owner of the raw material, a dealer with an essential commodity to sell, or as a sleeping partner, contributing in kind to the profits made. On the first view Government is entitled to a fair price for what it sells regard being had to the current price of the article in the open market. On the latter, Government is entitled to a fair share in the profits made by the partnership On both views Government is the trustee for a public asset, and bound to obtain a fair return from the trust property The question is whether royalties, as at present fixed, are fair from either standpoint. I maintain that they are not, and that Government ought to make a substantial increase in the royalties charged, or, in other words, that a much higher revenue should be raised from this source

4. Taking the various minerals worked in this district on a commercial scale, the following figures are given in support of this contention. Minerals are taken in order of importance, and figures are from actual returns by the Companies themselves.

5 *Iron ore (hæmatite)*—Government charges royalty on a sliding scale based nominally on the tariff valuation of Cleveland No 3 pig iron, which may be taken for general purposes as ranging between annas 2 and 3. I take the higher figure, which obtains at present, and examine it to see what percentage on profits and what relation to market prices this 3 annas bears—

Example 1—Bengal Iron Company sold iron ore *f o r.* Manoharpur at Rs. 5 per ton. This cost them to win, handle, and carry to Manoharpur Rs. 3. Hence they made Rs 2 per ton profit Government gets annas 3, and the Company Rs 1-13-0, or Government gets less than 10 per cent. of the profits From the other standpoint, the value of the ore *in situ* is Rs. 2, *i e*, its sale price less cost of extraction and transport to market. Government, therefore, sells a Rs 2 article for annas 3

Example 2—The Indian Iron and Steel Company at Gua pay Rs. 2-6-0 for extraction of ore and Rs 3-9-0 freight from bunkers to furnace, or say Rs. 6 at furnace This ore would cost them Rs 8-9-0 delivered at furnace, if they bought it (as in one case at least they actually did). Hence the Company saves Rs 2-9-0 per ton, and pay Government only annas 3 out of this indirect profit

6 *Kaolin (China clay)*—

Example (1).—Low grade clay, Pandrasahai lease; 1 mile from Railway station

	Rs.	A.	P.
Cost of clay, including all expenses, *plus* management charges	25	8	0
Sale price *f o r.* Pandrasahai	36	0	0
Profit per ton	*10*	*8*	*0*

Government gets Re. 1 and lessee Rs 9-8-0 per ton profit.

Example (2).—High grade clay, Dumuria lease, 7 miles from station:

	Rs.	A.	P.
Cost of clay to railhead	24	0	0
Freight to Ranigunge	7	0	0
Total cost to market	31	0	0
Price obtained *f o r.* Ranigunge	60	0	0

Profit Rs. 29 per ton, out of which Government gets Re. 1 and lessee Rs 28.

Example (5).—High grade clay, Bhond lease, 11 miles from station:

	Rs.	A.	P.	
Extraction and management* .	23	8	0	*(Details show certain items which are not strictly warranted).
Haulage and freight . . .	17	8	0	
Cost to market (Ranigunge)) .	41	0	0	
Price obtained	65	0	0	
Profit per ton	24	0	0	

Government gets Re. 1 and lessee Rs 23.

7. I [illegible]
get its [illegible]
and co [illegible]
should [illegible]
price c [illegible]
a ton, and the lower grade of Rs 2-8-0. (There is so much high grade that nothing else need be worked for years). As an alternative, it might be fairer to fix the royalty for the year in each lease as a percentage of profit, *i.e.*, of market price less cost of extraction, treatment, freight and haulage, and management charges 25 per cent to Government would leave a large margin to lessees, and still increase income at least four times

8 *Chromite* —Government present royalty 2½ per cent. on pit's mouth value (*i e*, market price less cost of transport from pit to market).

Singhbhum Chromite Company, 17 miles to railhead (bad roads).

	Rs	A.	P.
Extraction cost per ton	21	0	0
Haulage	8	0	0
Total to market	29	0	0
Price obtained	35	0	0

on Standard (48 per cent.), and Rs. 1-8-0 per unit sliding scale

Profit on standard ore	6	0	0

Government takes 2½ per cent on Rs. 27 pit's mouth value or 11 annas, and lessee Rs. 5-5-0.
Profit on actual local ore, averaging 45 50 per cent is Rs. 3-12-0 of which Government would get As. 10 and lessee Rs. 3-2-0.

9. *Manganese* —Royalty 2½ per cent on pit's mouth value.
Tutugutu lease, 5 miles from rail (Messrs. Motilal Iswardas):

	Rs.	A.	P.	
Extraction costs	12	6	0	(NOTE:—This can only be approximate, as figures supplied are not reliable in some respects)
Management	1	8	0	
Haulage and freight . . .	8	6	0	
Total cost to market per ton .	22	4	0	
Profit on 45 per cent ore is .	5	12	0	per ton.
Price obtained	28	0	0	for 45 per cent manganese and Rs. 1-12-0 per unit sliding scale

Government gets Re. 0-8-0 at 2½ per cent of pit's mouth value.

	Rs.	A.	P.	
Profit on actual ore (40 per cent) is . . .	24	4	0	
minus .	22	4	0	
or	2	0	0	per ton.

Government takes As 6 and lessee Rs. 1-10-0 per ton.

(NOTE:—This is for a badly worked and low grade proposition.)

10. For these two minerals, if Government's share were quadrupled, and 10 per cent taken on pit's mouth value, the resulting distribution would be as follows —

—	Government	Lessee
	Rs A P	Rs A P
Chromite		
Standard ore	2 12 0	3 4 0
Local ore	2 8 0	1 4 0
Manganese.		
Standard	2 3 0	5 13 0
Local	1 8 0	0 8 0

This would go to show that a percentage on pit's mouth value is not a sound basis, unless different grades of mineral are recognised and the royalty differentiated. A percentage on profits of 25 per cent. would be much better, and would give per ton—

—	Government	Lessee	Increase of Government share over present
	Rs A P	Rs A P	Rs A P
Chromite—Standard	1 8 0	4 8 0	0 13 0 per ton.
Local	0 15 0	2 13 0	0 3 0
Manganese—Standard	2 0 0	6 0 0	1 7 0
Local	0 8 0	1 8 0	0 2 0

11. All round, therefore, there would seem to be a strong case for a substantial ra[illegible]g of royalties, or, put otherwise, for a fairer distribution of the [illegible] private company [illegible]h the abolition of [illegible]al cesses, and, on [illegible]in and upon the [illegible]ising of royalties. [illegible] The question of a greater return to contributing companies is dealt with below.

12. *Cesses on Mines.*—When dealing with taxation of mines or revenue derived from mines, it is essential to consider the cess paid to local bodies by mine-owners and mine-occupiers.

13. Under Chapter V of the Cess Act, anna 1 in the rupee is taken by local bodies (District Boards) on the profits of (*a*) mine-owner, (*b*) mine-occupier.

Re (*a*) The mine-owner, unless he works the mine himself, pays down $\frac{1}{16}$ of his royalties, rents, salamies, etc.

Re (*b*) The occupier, *i.e.*, the company or individual actually developing the minerals, pays $\frac{1}{16}$ of his profits.

(NOTE.—The present Act is very defective. There is nothing to show if "profits" are net or gross; and, strictly, the Act makes the owner and the occupier each responsible for half the cess, irrespective of division of profit *inter se*.)

14 This is heavy taxation, and there is increasing uncertainty as to whether the miner gets back in public amenities anything like what he pays, *e g.*, the District Board may buy "charkas" instead of making roads in mining areas Again Government, though in exactly the same position as private owners, declines to admit any liability to pay any cess on its profits It gives grants, fitfully and as an act of grace, which makes budgetting difficult and uncertain. There would appear to be no valid reason why Government as landlord should not fall into line with other landlords in this respect. It is only fair on the one hand that mines should contribute to local revenue, and on the other that mines should have a substantial voice in the allocation of expenditure, and should be given a substantial return for their contribution

15 I advocate the abolition of cess on mines, and the creation of a Provincial Mines Development Fund, administered by a central Committee on the lines of the American Mining Fund (*vide* Appendix H, pages 79-81, of the Mining Notes) A certain proportion of the income would be devoted to Imperial or Central, expenditure other than mining, as the trade's contribution to general revenue Part would be devoted to Imperial and part to the Provincial Mining Expenditure, Bureau of Geological research, analyst and laboratory work Part would be expended by the local bodies under the general supervision of the Provincial Government within the contributing district and in proportion to the district's contribution. I maintain that judicious expenditure on developments would result in greater revenue, public and private, and that mining as a trade would be content to pay more if they saw more direct return, and had a voice in the control of expenditure To this Fund Government, in its position as landlord and owner, should contribute exactly as a private owner

16. *Taxation of minerals held by company or individuals*.—This suggested inquiry is contained in section 105 of the questionnaire, and is perhaps the most difficult question connected with mineral taxation. Under the most recent decision of the Government of India, Companies are allowed a working life of 90 years (*i e*, a lease of 30 years with two renewals for 30 years each). They are also allowed to hold reserve of ore sufficient to cover their requirements for these 90 years This has been held necessary to give the requisite security to capital invested in mining. (This need not be discussed here, but I should note that in my opinion, and that of many better qualified judges with whom I have talked, the Indian Government has taken an uniquely generous view of the length of life needed to secure the invested capital.) Obviously the tonnage needed for 90 years must be a very speculative quantity. Rate of consumption per annum depends on trade conditions, new discoveries, internal developments in plant and methods by the Company, etc. Equally obvious is it that in framing its estimate, the Company will not be inclined to pessimism. The short experience of three years shows that not a single Company has worked up to 50 per cent. of its outlined programme.

17. Granting, therefore, that a company is to be allowed to lock up public assets to this vast extent, the question arises of the price to be paid for such reserves, the present value of the unused minerals, withdrawn from any chance of revenue-raising by lease to other and immediate users.

18. India is at present content to view the question thus, 90 years' life, and there[illegible] the establishment of the minir[illegible]y cannot come into being, an[illegible] revenue (public income) in[illegible]ment's (or the public's) contribution to the partnership between us, and beyond a fair share of the annual profits we shall take nothing.

19. This is a possible view, but the very pertinent question arises of whether the royalties now paid for the ore consumed annually, can by any stretch of imagination be termed a fair share of profits for the sleeping

partner, Government. To take the most prominent local case, the Tata Iron andt Steel Company use about 1¼ million tons of ore a year, and will use (halving their own optimistic estimate) 2 million tons. They pay royalty on a sliding scale, but annas 3 per ton may be taken as the highest average price Government will get This gives Government Rs 5,62,500 per year. In a good year (1919-20) Tatas made 115 lakhs profit. Even if consumption had been at full power, and royalties therefore at their maximum, Government's share would have been in these years 4 8 and 17 7 per cent respectively. It should also be noted that full power working would undoubtedly raise the Company's profits, and in a normal year Government's share will certainly be under 5 per cent. I submit that this cannot be considered a fair distribution of profits, and that a clear distinction must be drawn between Government's taxation of private property, and Government's revenue from what is its own property.

20. Even this income, be it noted, will be given if the lessee prospers. True Government is not entirely in the hands of the managing partner, because by the system of minimum royalty, Government is guaranteed to the extent roughly of half the above income (The Company pays a certain amount in royalty whether it wins ore to that extent or not, and generally Go[illegible] At the [illegible] fair or [illegible] bad use [illegible] Company botches its business, that is its own affair. The public, which might have leased to wiser folk, cannot be expected to share the loss.

21. Personally I disagree with this view I think Government, which must look beyond the shareholders to the thousands of workers on the mine and factory, and the tens of thousands using the commodities cheaply produced, should stand in with its working partner "for better, for worse"; but the view is at least arguable. It has led, in the United States, to a different system

22 In the State of Minnesota—which corresponds mineralogically, most nearly to the Singhbhum-Keonjhar-Bonai area—quite a different system is in force There the ore is taxed in the ground. A special and permanent Tax Commission exists, which first valued all the royalty comprised in the [illegible]

23. This Minnesota tax gives an enormously increased revenue, and its levy must be taken as inseparable from the Mines Development Fund of the same State, which re-invests the interest on such income in public communications; keeping the capital permanently intact. (For further details, *vide* Appendix G of my Mining Notes, it is to be regretted that Government did not print Mr. Rukard Hurd's article on Mine Taxation, of which I have only my personal copy).

24. I do not consider any such system practicable in India to-day. The deposits are not known as the American ones are, and proving them is a slow and costly process. Further I do not think Indian mining could pay such a tax. A possible modification, which would answer the last query in section 103, would be the imposition of an annual rental upon tonnage held, in addition to royalties upon tonnage extracted. The former would decrease [illegible]

would then have to foot a very heavy bill for reserve rental.

25. Even for such a modified form of taxation upon reserves, I consider
The answer of the companies
in say, least of all a Govern-
her the so-called 400 million
y a quarter of it. The Geo-
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26. This answer is really effective Before Government can fairly charge rental on iron ore, it must know with some degree of certainty, that it is

us to do so, and future increase of revenue is one of the arguments, but only one, for a properly organised, equipped, and paid Mines Department. For the present, however, we are hardly on sure enough ground to charge rental on ore content We could assess the rental on surface area, as is indeed done in the private estate of Dhalbhum, where the copper belt is leased out on this principle
to tonnage held
deposit of float
serpentine vein
Company holdir
the former would pay many times the rental of the latter.

27. My
paragraph
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conduct of the business. We cannot charge our partner for what we have put into the business

28 At the same time these reserves, this contribution, must be kept in view when it comes to sharing the profits. If we are a partner, we must get a partner's share, and I hold we do not get this. The mining trade is far too apt to talk loudly about what Government should put into the busi-

this new development, kyanite We could double our royalties all round without setting back the trade, and in some cases more than doubled them. I think there is a very strong case for a committee to enquire into this question, and revise the royalty schedule with wider discretionary powers to Local Governments to meet varying local conditions.

29. I have stated in paragraph 15 that I should like to see cess on mines abolished. One reason is that under the Act, as it exists at present, the assessment is exceedingly difficult. This is admitted by Government officials and assessees alike Only the raw material is liable to cess, and again the impost
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30. The main objection to cess, however, is that income thus collected comes to several scattered local authorities with widely varying views, in

districts whose problems are never the same. There is no central authority controlling expenditure, and hence no identity or continuity of policy. There is also no chance of such funds being used for common purposes or the general advance of the mining industry

31. I should prefer, therefore, to abolish local cesses altogether, and substitute a contribution by mines to the Mines Development Fund, outlined in paragraph 15 and Appendix Here raising of royalties will not take the place of cess, for in privately owned mines the royalties go into private pockets, and can neither be raised nor appropriated by Government Taxation, preferably in the form of a flat rate per ton of mineral raised or despatched, collected into this common fund, and administered by a provincial committee, on which the mining industry had adequate representation would give more direct returns to the mines contributing, without necessarily increasing the total burden upon the miner. The proportion of such income earmarked for expenditure on mining areas would then be a special tax on miners for miners, while the balance would be the industry's quota towards general revenues

32. To sum my views on mineral taxation, I should propose—

(1) To make prospecting free to all, *i.e.*, to abolish certificates of approval and prospecting fees, save a nominal fee for registration.

(2) To raise substantially the royalties in Government land.

(3) To create a Mines Development Fund with the three-fold object of—

- (*a*) contributing to general revenues, Central and Provincial;
- (*b*) maintaining a Mines Department, Imperial and Local;
- (*c*) providing funds for developing mineral areas, through local bodies under provincial supervision.

(4) To abolish cesses paid by mines to local bodies in favour of a provincial or imperial tax paid to the Mines Development Fund.

33. In conclusion I desire to emphasise the unavoidable limits of this note. Coal is hardly mentioned; mica is not mentioned, and my views on manganese and chromite require check by comparison with the opinions of those who know the Central Provinces and Baluchistan respectively. My knowledge of mining is necessarily superficial. except for iron ore and perhaps kaolin, very superficial My six years in Singhbhum are, however, perhaps sufficient to justify me in urging the importance of a sound basis for mineral taxation, and the great possibilities of this source of revenue.

Mr. Scott gave oral evidence as follows :—

The President. *Q.*—May we take this as the summary of the position? Under Devolution Rule 14, items 24 and 52, Part II of Schedule I, development of mineral resources which are Government property is a provincial subject, subject to rules made or sanctioned by the Secretary of State.

A.—Yes.

Q.—Therefore any revenue derived from land used for such purposes belongs to the Provincial Government?

A.—Yes.

Q—A Local Government may impose a tax on land used for other than agricultural purposes and with previous sanction any local body may impose a tax on land values.

A.—Government may certainly do it, but the local body can only do it with the previous sanction of the Local Government.

Dr. Paranjpye. *Q.*—Do you consider the income-tax from the manager or a highly paid worker of an Indian mine is a tax on mining?

25. Even for such a modified form of taxation upon reserves, I consider the objections outweigh the recommendations. The answer of the companies ... can say, least of all a Govern- ... her the so-called 400 million ... y a quarter of it. The Geo- ... not proved too accurate up to date.

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27. My main argument against this form of mineral tax is that outlined in paragraph 18 above, *viz.*, that Government is a partner in the mining business, contributing only what has, rightly or wrongly, been agreed as the necessary stock in trade for the inception of the partnership and the safe conduct of the business. We cannot charge our partner for what we have put into the business

28. At the same time these reserves, this contribution, must be kept in view when it comes to sharing the profits. If we are a partner, we must get a partner's share, and I hold we do not get this. The mining trade is far too apt to talk loudly about what Government should put into the busi- ...

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A.—Government may certainly do it, but the local body can only do it with the previous sanction of the Local Government

Dr. Paranjpye. *Q*—Do you consider the income-tax from the manager or a highly paid worker of an Indian mine is a tax on mining?

A.—I consider this a source of revenue from mining. If you cut out that source, you will lose revenue. If you had no mines, you would have no such revenue.

The President. *Q*—You criticise the fees for certificates of approval and prospecting licenses, and state that permission is given without discrimination Does that mean you would approve of different people, who can afford it, prospecting in the same area?

A—Not at the same time. I mean that under the present system any one, qualified or not, is allowed to see whether land is suitable for mining or not. The certificate of approval does not relate to any particular land. It is only the first step before a man can do anything in the way of mining.

Dr. Paranjpye. *Q*—Do you think in the interest of the country prospecting licenses should be made free to all?

A.—Yes.

Q.—I should rather be of the opinion that this extracting industry will exhaust the capital of the country and should be restricted to the people themselves. I should think it distinctly disadvantageous to allow an American to mine in India.

A.—I am speaking of prospecting. In this preliminary stage surely the more brains you use the better.

Q.—It does not so much matter whether mineral wealth is developed or not, if the people of the country are not benefited by it

A.—I have put it down clearly that when it comes to the stage of development, you can put on the nationality test. At the stage of finding out whether there is any opening for economic mineral working, my opinion is that we should get the best brains and intelligence to help us.

Q.—Is it done anywhere?

A.—It is done in America. American land can be used by any man for prospecting purposes. When it comes to the question of development, only an American citizen can hold the land, and the alien prospector can only sell his knowledge to American citizens.

Q.—What is the theory behind this system?

A.—America recognises that it has no monopoly of mining brains, and therefore welcomes outside searchers At the same time the Americans do not want foreigners to come in, take over a mineral industry, and possibly corner an essential product like chromite Hence, the nationality bar on actual mine owning and working.

Q.—Do you charge agricultural rates on land used for extraction of minerals?

A—As regards charges under prospecting licenses, the rules laid down by the Government of [illegible]
per acre, but the rat[illegible]
e.g., in Bihar and Ori[illegible]
acre. [*Vide* Rule 30 [illegible]
mining leases, the prevailing agricultural rate is charged.

The President. *Q.*—You say theoretically the rent should be much higher —20 times?

A.—Yes. In my opinion, since land used for mining purposes becomes quite useless for any agricultural purpose, you should treat it as if it had been sold outright and capitalise the rental value of it, *i.e.*, the lessee should pay as if he had bought the land for ever, which would mean he would pay down the rental capitalised at 20 years

Q.—You actually give the land on lease for a fixed period?

A.—Yes, the usual lease is for 30 years, with two renewals of 30 years each.

Q.—How would you fix the rate to be paid?

A.—I would capitalise it at the same rate as is charged in land acquisition proceedings. The rent, and hence the payment, will vary according to the kind of the land.

Q.—But in a 90-year lease, will you not get more in the end from annual payments of rent?

A.—No, for except for land under mills or bungalows, nobody will use the same plot of land for 90 years. The lessee digs up one portion, works it for a few years, exhausts it and starts on another. He pays rental only on land actually at the time under occupation. The areas so held are, however, small, and I do not think the point is of much importance.

Q.—You say the real income of Government must be from royalties upon minerals in Government land I take it that your line of argument is that Government is the trustee for all public lands?

A.—Yes.

Sir Percy Thompson *Q*—You say Government is a trustee for all public lands and so Government is entitled to a share in the profits, but cannot the Government be a trustee without charging any royalty at all?

A—That is correct. If Government, by charging no royalty, thereby cheapened the article produced in the public market, it might be taken to discharge its trusteeship in this negative way I doubt, however, if remission of royalty would cheapen the article I maintain that the Government contributes in kind to the profits made, and so is entitled to a fair share in such profits These profits arise from Government's sale of the trust property. My view is that Government does not take a fair share. The royalty at present charged is nominal and Government ought to make a substantial increase in the royalties charged, *i.e.*, a much higher revenue should be raised from this source.

Q—You think that if Government forewent royalty, the price of the article would still remain the same?

A—The selling price does not depend upon the costing price, but upon the price at which similar articles are available to the purchaser from other sources

Q—Could you not rely upon competition to bring down the price by the amount of royalty remitted?

A—I think the man selling the article would put his price as high as he could The mere fact that he got the [illegible] ernment would not make him sell for [illegible] advantage of the remission to increase profits, and sell at the same price He would benefit, and not the purchaser. You cannot pre-suppose that in a particular commodity you have no outside competition, and that you can fill the whole of your market from your home production. If the whole local demand could be filled by local supply, internal competition would possibly reduce prices so far that the consumer would get the benefit of the remission of royalty. But if part of the supply comes from outside, and sells at a higher rate than the home costing price, the home producer will set his price by that outside price, and not reduce it by the amount of royalty remitted, *e g*, pig-iron.

Q—If my coal costs Rs. 18 and I pay Re 1 royalty and take Re. 1 profit, I can sell at Rs. 20 If royalty were remitted, could I not cheapen the coal to Rs 19 sale price?

A.—Unless competition compelled me to sell at Rs. 19, the reduction of royalty would not do so. I should simply add Re. 1 to my profits But if I could sell more coal at Rs. 19 than at Rs. 20, the remission of royalty would be passed on to the consumer.

Q.—Is it the experience in case of coal mining that competition does have free play?

A—I have very little experience of coal mines. I know about iron ore and for iron ore there is no market in India, and hence no competition in sales I do not believe that remission of royalty on iron ore would affect the price of pig-iron

The President. *Q.*—Would you say that the royalties on minerals could be charged just as in the case of the telephone where the Government charges them on the percentage of profits?

A.—The difficulty is that it is impossible to say what "profits" from the minerals are; I mean, the taxable profits.

Q.—You have profits assessed and taxed by the Income-tax Officer? Coal is a commodity sold in its raw state, and so to charge royalty on the plan of the telephone royalty, would be more suitable?

A.—I doubt if this question arises: Government owns no coal at all. It is all privately owned, and hence royalties cannot be imposed by Government. The question becomes purely academic.

Q.—In the case where the mine is privately owned the royalty is purely a windfall. Is it not also the case that mining rights were not considered in any way at the permanent settlement?

A.—That is correct.

Q.—Then it is purely an unearned increment and as such it should be a subject, according to the theory of taxation, for heavy taxation?

A.—Yes, theoretically, but it must be remembered that when these owners leased their property, they did so without accurate ideas of the mineral values, and the man who makes the big profit is the lessee. The man who got the original permanent settlement was the landlord, and so far as I know as regards coal the landlords gave out long term leases for microscopic value

Q.—In many cases does not the lessee again sub-lease?

A.—Yes.

Q.—Does he not sell for a lump sum?

A.—Not always. There might be no right of transfer or he might have to pay a heavy fee to the landlord.

Q.—What about the Development Syndicates?

A.—Development Syndicates are just like a middleman. If they sell they make only a middleman's profit.

Q.—Do they make a taxable profit?

A.—In the only cases I remember, the middleman sold for a lump sum, and not for a recurring share of the profits or a royalty on tonnage. There may be such cases as you suggest, but as a rule the middleman sells his interest outright.

Q.—Does the price obtained come to the books of the Development Syndicate?

A.—Perhaps.

Q.—Then Government gets a share on that unearned increment?

A.—None.

Q.—Not even income-tax?

A.—Government might get income-tax.

Q.—Then we come to mining companies, what about them?

A.—*They pay income-tax and the road cess. Their royalty paid to the* landlord is in addition to these.

Q.—This royalty can appropriately be taxed heavily?

A.—Yes.

Q.—Could the mineral holdings of the companies be taxed?

A.—Yes.

Q.—With special legislation?

A.—Yes, *e g.*, in Minnesota, United States of America, a special tax commission went all over the State, assessed the value of the mineral lands by boring and proving They estimated values for known mineralised land, and for less known land.

Q.—It must have been very rough?

A.—Yes, but they got their figures mainly from the companies themselves, and there was no outcry about the valuation made. I think mineral lands can bear increased taxation.

Q.—We now come back to the mines owned by the Government. You say there will be difficulty in taking as royalty a share on profits above a fixed lump sum, because the profits are mixed up in the general profits of the business?

A.—Yes. It is impossible to say what share of the profits can fairly be ascribed to Government's property, *i.e.*, the raw material. For example, take iron grates or pipes. The original mining company does the whole process from beginning to end, but the royalty can only be assessed on what the company mines, *i e.*, on the raw material.

Q.—If you can make out the difference in the case of tea plantations between plantation profits and manufacturing profits, could you not make it out in the case of mines and pig-iron?

A.—It is difficult, because you cannot split up a final profit of 8 or 12 annas on the finished product, and say what is the fair proportion attributable to the raw material

Q.—The raw material of the finished product is the pig-iron?

A.—Pig-iron is not the assessable raw material, but it is the earliest stage at which you can ascertain profits because it is sold in India.

Q.—Take the case of mica, you would have no difficulty there?

A.—No.

Q.—What is your proposal for improving the scheme of royalties?

A.—I think the scheme itself is quite sound

Q.—How would you get scientifically correct royalty?

A.—I think the method of calculating royalty is quite all right. I only say that they would bear an increase.

Q.—How would you settle what the royalty is, I suppose the prices of these products vary from year to year and sometimes fluctuate considerably?

A.—Not very much. You can get the costing bill of a ton of pig-iron, and thus the profits per ton.

Q.—Would it not be better if you base your royalty on the profits?

A—I think that is a possible method

Q.—You can get the cost of a ton of pig-iron without going into the company's balance sheet, and thus you can assess royalty on that basis?

A.—I think it will penalise efficiency. The good company makes bigger profits on the same ore than the inefficient company.

Q—What I was going to ask you is this whether it is not the duty of the Government (I do not know how far they do it now) to see when they allow a private company to exploit national wealth, they should do so with as little waste as possible and economically, and appoint supervising officers over it? Has not there been wasteful extraction?

A.—There certainly has, but you will find that in almost every mining country. This work is supposed to be the duty of the Mining Inspector who sees that the required minimum precautions are taken.

Q.—Do they look at it from the point of view of the tax-payer's property?

A.—I do not think so, but the lease provides that the mine must be worked continuously and in a skilful manner.

Q.—As regards cesses you disapprove the present plan altogether?

A.—Yes.

Q—You would have a general charge on the mines and use it as a fund which can be devoted to the purposes of the mining areas?

A.—Yes, part of it at least must be spent on them.

Q.—You say that a certain proportion of the income would be devoted to Imperial or Central expenditure other than mining, as the trade's contribution to general revenues Why should there be Central or Imperial expenditure?

A.—There is the Army, Telegraphs, Posts, etc

Q.—Would not income-tax represent that contribution?

A.—Personally, I should like to have the whole income provincial, but I think the Imperial Government would claim a share.

Q.—In paragraph 16, you speak about the working life of 90 years and say that the Indian Government has taken an uniquely generous view of the length of life needed to secure the invested capital. Could you tell us what decision you are referring to?

A.—I cannot give you the exact quotation. The question was whether the standard mining leases granted with one renewal for 30 years should ... ent decision. That ... d by the Secretary ... ary of State. The ... Even the change of royalties has to be approved by the Secretary of State.

Q.—Is Cleveland No 3 pig-iron being imported?

A.—It is, but the Customs people explain that the tariff valuation is not fixed on Cleveland No. 3, but on a higher grade of pig-iron

Q.—Is there no mention of any particular class?

A.—No, but in the Government rule a sliding scale is distinctly given for pig-iron, Cleveland No. 3, G M.B.

Q.—What exactly is the effect of the sliding scale? Does it vary with reference to the quality?

A.—No, the higher the tariff valuation of imported Cleveland No 3 pig-iron, the higher the iron-ore royalty in India.

Q—The tariff valuation on which all iron pays duty is the annual tariff valuation which is fixed for all pig-iron?

A.—Yes. It is fixed six-monthly.

Q.—That has been fluctuating?

A.—The price of Cleveland No. 3 has varied between 79*s*. and 105*s*., whereas the tariff valuation out here has been Rs 90 all through. This, at the present exchange, bears no relation to the value at all. The customs people state that the valuation is made on a higher quality of pig-iron

Q—Have you got the wording of the Government of India order? There cannot be a tariff valuation for a particular kind of pig-iron when the tariff only mentions pig-iron generally.

A.—This copy of the Waste Lands Manual in my hands, I am afraid, hasn't the recent corrections in it.

Q—In paragraph 18 of your written statement you say that "India is at present content to view the question thus: 90 years' life, and therefore 90 years' reserves, are an essential factor in the establishment of a mining company". That means enough material to continue working for 90 years?

A.—Yes.

Q.—But actually haven't you private leases for considerably less than 90 years?

A.—I suppose there are, but most leases are for 90 years. Government leases are now for 90 years.

Q.—What about landlords' leases?

A.—They would prefer a short-term lease, but the companies as a rule stand out for a long term.

Q.—You say that minimum royalty is not a fair or adequate return, and the public should be independent of the good or bad use made of its assets. That applies generally to ensuring that proper use is made of the assets.

A.—Yes.

Q—You refer in your paragraph 22 to the State of Minnesota where a special and permanent Tax Commission exists. Could you give us any idea of the royalty and revenue of that State?

A.—I could, but I have not got the figures here with me

Q.—In Bihar and Orissa the income from minerals is only Rs. 1,60,000.

A.—Yes, the income at present is small. Some of the big companies who have got enormous concessions in British India are not yet mining a single ton. The revenue will increase very largely, say, five years hence.

Q.—Do you refer to the Bengal Iron and Steel Company?

A.—No, they have been mining for some time; I refer to the Tata Iron and Steel Company. The Indian Iron and Steel Company has only recently begun to despatch.

Q.—At present there is not much to pay for a special Taxation Board? Do you think it will pay for itself?

A.—The old leases are at ½ anna a ton royalty, but at the new rate, we shall get a good income.

Q.—Could you let us have Mr Hurd's article on Mine Taxation for the Committee's perusal?

A.—Yes (handed in by witness).

Q.—You suggest in paragraph 24 the imposition of an annual rental upon tonnage held, that will be after a survey of the undeveloped areas?

A.—I do not recommend that. I say that I do not consider any such system practicable in India to-day. I do not think the iron and steel trade in India can stand any such tax.

Q.—You are speaking mainly of iron and steel.

A.—That is so.

Q.—What you really want to do is to work things up, and get a department organized and equipped, so that you could get a real revenue out of it.

A.—I think the sooner a properly equipped department functions, the better, and the more capital you will attract There is, for instance, a bitter complaint that statistics for Indian minerals for 1923 have only just been published, *i.e.*, they are 18 months too late.

Q.—What is kaolin?

A.—It is a hydrous silicate of alumina.

Q.—You say you could double royalties all round.

A.—I think so, except possibly in the case of manganese.

Q.—You say that there is a strong case for a committee to enquire into the question of royalties and revise the schedules, with wider discretionary powers to Local Governments to meet varying local conditions. How would you constitute such a committee?

A.—There should be representatives of the Metallurgical Society and of Government on the Committee. I do not think there would be much difficulty in constituting such a committee.

Q.—What is the Metallurgical Society?

A.—That is a Mining Association in Calcutta. Government take the views of this Society on a good many matters affecting mines.

Q.—How would you set about getting a sort of equality between one mineral and another?

A.—You put a royalty on each mineral; it does not matter whether the royalties are equal or not.

Q.—Would you try to arrange that each royalty should bear relation to the profit made on that particular ore?

A.—Yes.

Q.—You dislike the cess arrangements?

A.—I do not like the way it is assessed.

Q.—It is a cess in two different ways; in one case on the material mined and in the other on the profit made.

A.—It is never assessed on the mineral mined.

A.—There is the Army, Telegraphs, Posts, etc.

Q.—Would not income-tax represent that contribution?

A.—Personally, I should like to have the whole income provincial, but I think the Imperial Government would claim a share.

Q.—In paragraph 16, you speak about the working life of 90 years and say that the Indian Government has taken an uniquely generous view of the length of life needed to secure the invested capital. Could you tell us what decision you are referring to?

A.—I cannot give you the exact quotation. The question was whether the standard mining leases granted with one renewal for 30 years should be amended so as to read " with two renewals ". It is a recent decision. That was only done 18 months ago. The lease form is prescribed by the Secretary of State for India The rules are also made by the Secretary of State. The recent decision I refer to is made by the Secretary of State. Even the change of royalties has to be approved by the Secretary of State.

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Q.—You say that minimum royalty is not a fair or adequate return, and the public should be independent of the good or bad use made of its assets That applies generally to ensuring that proper use is made of the assets.

A.—Yes.

Q.—You refer in your paragraph 22 to the State of Minnesota where a special and permanent Tax Commission exists. Could you give us any idea of the royalty and revenue of that State?

A.—Partly yes, that would be an additional argument for part of the proceeds going to the Central revenues.

Q.—An export duty on jute affects only the province which produces the jute, but in the case of royalties on coal, it affects the consumers of coal all over India. It seems to be an argument to show that the proceeds should not go to the province in which the mines are situated?

A.—Not entirely.

Q.—So far as it is used for the provision of amenities or necessities caused by the existence of the mines themselves, the proceeds should be local?

A.—Yes, but there would be certain items of expenditure which it would be better in the interests of efficiency and economy to provincialise, otherwise there would be unnecessary duplication, and a purely parochial outlook

Q.—Would you propose to leave out provincial and simply have the local and the central?

A.—No. I think provincial revenues should have a share.

Q.—Suppose you come to the conclusion that royalties ought to be multiplied by four and as a result you get four times the revenue I should have thought that the whole of the increase ought to go to the Central Government.

A.—What I consider is badly wanted is more money to be spent on the mining areas and industries.

Q.—When this has been adequately dealt with, would you agree that any surplus should go to the Central Government?

A.—Yes; that, I think, is probably the reason why Minnesota gave 20 per cent to the Central Government.

The President. Q.—In the circumstances of this country would you not [illegible] bours; but is not a royalty on land with minerals like land revenue?

A.—Land revenue is strictly a local thing, but any royalty affecting all India ought to be in part at least, an all-India income

Q.—Is not royalty the State's share in the produce of the land?

A.—Yes; excise could be described in the same way as the State's share in the consumption of liquor.

Q.—The consumption of liquor is not State property, the mine is. The analogy between royalty and land revenue is that both are the State's share of something that exists on the soil.

A.—In actual practice, it would be unfair not to give the general public who uses the mineral a share of the increased royalties.

Sir Percy Thompson. Q.—What is to stop a royalty being imposed by a local authority?

A.—Royalty as a public asset can only be on Government-owned property.

Q.—I am talking about the local cess.

Dr. Paranjpye. Q.—In Bihar and Bengal you have always been face to face with difficulties on account of permanently-settled land Do you think this is a suitable time for nationalising mining rights?

A.—I do not quite understand what nationalising mining rights mean.

Q.—If anybody has mining rights, Government should buy up these mining rights once for all and anybody who thereafter engages in the mining industry should pay royalties only to Government. At present the mining industry is comparatively in its infancy; it may develop very much and may produce great difficulties in course of time. Do you think the present time is suitable for wiping off these private rights in mining?

A.—If you propose to pay a fair price for them, I think it is impossible. From the point of view of finance, the cost to the Central Government would be enormous.

12th March 1925.

PATNA.

PRESENT:

SIR CHARLES TODHUNTER, K.C.S.I., I.C.S., *President.*
SIR PERCY THOMPSON, K.B.E., C.B.
DR. R. P. PARANJPYE.

Professor C. J. HAMILTON, M.A., Professor of Economics, Patna, was examined

Note on certain topics relative to Indian Taxation.

1. *The central problem in Public Finance.*—The fundamental criterion to be applied in judging all questions of public finance, as with political and economic questions in general is the difference which a given course of action makes to the economic welfare of the community

The State takes from the citizens the resources which it requires in various ways and gives back in return goods and services In this rendering of a

a public service. In former times there was in many cases no pretence of such connection. The total of what a State takes from its citizens in the course of a year, together with what it receives from the members of foreign

of seeing that public money is properly spent and due economy observed These devices may ensure that the collection of revenue and its expenditure are broadly in accordance with public opinion. But in order that any precise or intelligent judgment may be formed it is necessary to be able to trace the economic effects of revenue collection and to measure with accuracy the utility and disutility that results

Even were it possible to trace with certainly the complex economic effects of revenue collection it would be idle to expect complete agreement as to the goodness of the result, since conceptions of goodness will differ. But no system of public finance can be regarded as satisfactory which does not avail itself as far as possible of economic analysis in order to ascertain what the effects of different forms of revenue collection actually are and at the same time make use of the most precise measure of utility and disutility that accompanies it

It may be laid down as an axiom that the only way in which it is possible to judge with precision whether a State service is worth what it costs is to enable the commodity or service supplied to be consumed up to the point at which the marginal expenses of providing the service are judged equal to the utility obtained by a system of free exchange.

It is true that, even if all State services could be provided in this way, it would leave the individual consumer the final judge as to the extent and

direction of State activity, a degree of individualism that few would be willing to support.

It is also true that a money measure of satisfaction derived from expenditure in a community wherein income was very unequally distributed would suffer from the obvious inequality in the utility of money among the different classes. Nevertheless it is desirable to take advantage to the fullest extent of this method of distinguishing the receipts by the State which correspond to a service which is a mere alternative to private enterprise and which is provided at cost price, from those receipts which are not so accompanied For the latter constitute the real tax receipts to which the discussions relative to the problems of taxation properly apply. In the case of a great part of State service the benefit is of a general character only. It cannot be sold in units in return for a price The utility cannot therefore be measured precisely in terms of money But even in such cases the value of a certain addition to service may be estimated with some degree of definiteness. Thus, for example, the value of an addition to police service may be estimated by reference to the statistics of crime or of street accidents It is thus important as far as possible, even in the case of such services, to adopt the principle of cost accounting An increasing number of State services supply a benefit that is both particular and general. Elementary education and factory inspection are familiar examples In an enlightened community it would be possible to buy a given amount of factory inspection in a given industry, regarded as a precaution against loss from accident or ill health, just as one now buys a policy of insurance against the risk of damage to a motor car. There would be a factory "experience" upon which the charge would be based Similarly, the ideal method for the supply of public education would be for each person to purchase a given quantity of this particular service in return for a payment based upon its cost It is unnecessary to refer to the obvious reasons why this method is not always possible. But it should be enforced wherever practicable For as soon as a service is supplied without any specific charge to the users and paid for from the general funds of the State there is extreme probability that the expenditure will either be in defect or excess of that quantity which is desirable in relation to the utility obtained

Enough has been said to illustrate the importance in public economy of supplying public utilities in accordance with marginal demand at cost prices

2. *The distinction between Revenue and Taxation*.—In any consideration of the problem of taxation it is necessary to define as clearly as may be which items of the public revenue are to be classed as taxes All writers upon publ. finance agree that an important distinction should be drawn between "revenue", the general term for all forms of State income, and the several constituent parts of revenue which may differ widely in their economic and social character. Considerable difference of opinion will be found to exist on the subject of the proper classification of revenue and it is not proposed to enter into this discussion The ideas upon which these classifications depend are reasonably simple and clear, but their objective application is difficult. It may be said that connotatively the classification of public revenue is a comparatively easy matter. denotatively it cannot be made with precision

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of the [illegible]
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relatio[illegible]
instances

1. *Revenue as the cost price for a specific service voluntarily purchased*.—Assuming the non-existence of the State, or body able to exercise compulsion all payments out of private income, other than gifts, would be in return for a utility judged to be at least equal to the expenditure. When the State provides goods or services upon a basis of cost price, leaving consumers free to

purchase or not, assuming the State service to be as efficient as the private service, the income of the citizens is not affected. The relation between cost and benefit is direct and measurable. There is no compulsory deduction from private income and the payment will not be felt as a burden. Revenue of this kind is always classified under the head of price.

2 *Revenue in excess of cost for a specific service voluntarily purchased.*—The State usually has a monopoly in respect of utilities supplied by it and may charge prices that include a monopoly profit. Familiar examples may be found in the sale of liquor from government distilleries, or the sale of water for irrigation, or the sale of opium. The question whether this method of raising revenue is justifiable cannot be answered without raising a number of further considerations. The general rule will hold that the monopoly price will check consumption, thus causing a loss of satisfaction that has to be set against the social gain from the revenue obtained. Unless there is a special advantage or disadvantage attaching to the restrain upon consumption, the social gain from the revenue cannot be judged apart from its relation to the general revenue system. This particular revenue will constitute a deduction from a certain class of incomes and must be fitted into its place so as to secure a proper apportionment of the tax burden as a whole. Certain cases, however, deserve special attention

i. *Cases where the demand for the commodity is highly inelastic.*—This is approximately so with the consumption of salt in India and is so in somewhat less degree with the consumption of commodities for which a strong habitual taste has been formed It is probable that a considerable monopoly price may be imposed upon alcoholic liquor and tobacco, for example, without greatly checking consumption. When the consumers belong to the classes with incomes not much in excess of the needs for the consumption of necessaries, the deduction made from income by the levy of a monopoly price may be at the expense of expenditure upon necessaries. In the social interest such monopoly price should be levied as far as possible only upon incomes with a margin above necessary expenditure.

ii. *Cases where the monoply charge is levied upon a factor of production.*—An important instance of this kind is the charge made for water for irrigation purposes. If water for irrigation could be obtained without restriction of supply in return for cost price as, for example, manure may be obtained, it would be applied to land up to the point at which the addition to the crop resulting from irrigation just equals the outlay. In fact, the supply of irrigation water is restricted to certain localities and this introduces an import differential element into the value of land. It may increase the produce far in excess of the expense of providing the water. It is desirable to obtain some part at least of this surplus for the public revenue and it is a matter of importance to consider by what method it should be effected. It cannot be assumed that the additional value conferred by a given supply of water is uniform for all lands. A uniform water rate will thus bear unequally and may restrict production upon the least productive soils. The rate should therefore vary according to the difference made in the letting value of the land In raiyatwari areas when the irrigation is constantly provided the charge may conveniently be consolidated with the land revenue. The same principle may be adopted in the case of temporarily-settled zemindari areas. But since land revenue settlements are for long periods, this method is possible only where no important change occurs in the character of irrigation. In permanently-settled areas, the water rate must be levied separately from the land revenue. The rate should again vary according to the difference made [illegible] d of vary- [illegible] charging [illegible] is to be [illegible] valuable crops.

iii. *Cases where the monopoly charge is levied upon foreign consumers.*—The revenue thus obtained is clearly not a tax upon the members of the taxing community and should be classified as a tribute. The main question that arises is whether a State is justified in raising a maximum monopoly revenue *in this way. There seems little doubt that from the highest standpoint of* common welfare such a practice is to be condemned. The prevailing practice, however, is undoubtedly to arrange revenue demands so as to fall as far possible upon the members of foreign States, a consideration which is foremost in determining the expediency of levying export duties. And as long as it remains the general practice, it may be assumed to be justifiable for any particular State.

The classification of revenue obtained from monopoly prices presents no difficulty apart from the problem of incidence. Where the monopoly revenue [illegible]

iv. *Revenue as the cost price for a specific service compulsorily purchased.*—Goods or services may be supplied by the State on a basis of cost price but the consumption may be made compulsory. Analytically the classification of revenue of this character is clear. Imagine the supply of elementary education to be on this plan. There will be some persons who would freely purchase an equal quantity of education under a regime of private enterprise. The action of the State in enforcing education makes no difference to such persons. There is no compulsory subtraction of income. In the case of persons who would have gone without education the action of the State involves a definite deduction from income that would not otherwise have taken place. It is true that there is given in return a specific benefit, but it is not judged to be a benefit, or at least an equivalent benefit, by the [illegible]

suggested might be classified under the head of price. Where the force of compulsion results in a very general modification in the mode of spending [illegible] ...bably no actual example [illegible] ...sed that are provided [illegible] to each individual. [illegible] ...this description. [illegible]

compound of price and tax.

vi. *Revenue as compulsory payments for indirect benefits.*—Revenue of this nature calls for no analysis. In all cases it falls under the head of taxation.

vii. *Revenue obtained in return for no benefit from the members of foreign States.*—Receipts of this character into the State treasury clearly do not constitute a burden on the citizens and cannot properly be classed as taxes. They may be included under the head of "tribute." Some instances of tribute present no difficulty, as, for example, the payments on account of war indemnity, or the tribute paid to the revenue of British India by certain Indian States in accordance with treaty obligations. The revenue may benefit from foreign payments, however, in less obvious ways. The monopoly price charged for exported opium by India is a tribute from foreign consumers. It is agreed that the effect of customs duties upon imports may in certain cases be the imposition of a tax on foreign producers. The problem of incidence cannot, as a rule, be determined with sufficient accuracy to enable the proportion of customs revenue that is paid for by foreigners to be ascertained. The economic situation in certain cases is, nevertheless, such as to lead to fairly definite conclusions as to where the balance of tribute lies.

viii. *Revenue from loans.*—There is much popular confusion of thought regarding the economic character of loans. Although it is recognised that loans involve taxation in order to provide interest when the loan is not so used as to be sufficiently productive, the loan itself is commonly thought of as an alternative to a tax, only leading to taxation when it is repaid. This way of regarding the matter is often incorrect. The true character of a loan is best considered in relation to the source from which it is obtained and the use to which it is put. If the State issues a loan, the funds subscribed may be provided from one of three sources: new capital as it accrues; saving that would not otherwise have taken place; a transfer of capital from an existing use. In the second and third cases not only must the short period effects resulting in the change for the demand for commodities be considered, but the effect on the national dividend must be contemplated. The loan may in both cases affect individual incomes adversely and thus operate as a tax. A loan may thus often be considered as a concealed tax and even when the loan is used for productive purposes it may have for some time the effect of a tax. The above reasoning applies only to internal loans. External loans will not be felt as taxation except where the lending country suffers from the loss of capital sufficiently to cause a reaction injurious to the economic life of the borrowing country.

ix. *Revenue from public domain.*—An important topic raised by the differentiation between revenue and taxation is the proper classification of land revenue. Broadly speaking the official view with regard to the land revenue in India is that it is properly to be described as a rent, while the majority of Indian writers upon the subject would insist upon its classification as a part of taxation. This contrast of opinion is not altogether the result of economic analysis. It largely arises from the desire to maintain, in the one case that the land revenue does not, in the other case that it does, act as an impoverishing influence upon the cultivator. The strong opposition to the description of land revenue as a rent is partly due to the rather unfortunate language that has sometimes been used by the apologists for the orthodox theory. This, Fawcett, in a passage of his Political Economy, quoted by the authors of "Finance and Public Works of India", remarks "A land tax consequently differs from all other taxes for it possesses the excellent quality of providing a large revenue for the State without diminishing the wealth of any class of the community. Those, therefore are completely in error who quote the aggregate amount of taxation which is raised in India in order to prove how heavily the people of that country are taxed." There is a sense in which it is possible to defend Fawcett's statement, but, on the face of it, the conclusion appears to be that land revenue, like manna, falls from heaven.

The nature of the land revenue, or land tax, has been the subject of such conflicting statements that it is worth while to attempt to explain the causes of the difference of opinion and to discover where the truth lies.

The description of the land revenue as a rent rests upon two distinct ideas which are not always clearly kept apart. The one is that land revenue is collected in virtue, not of sovereign right, but of owner right. Such revenue is thus thought of not as a tax, but as a hire price for the use of State property. Those who emphasise this aspect of the matter are thus often led to draw a distinction between the character of land revenue in raiyatwari and in zamindari areas, holding that the former is rent while the latter is tax. But it is clear that the distinction between sovereign right and proprietorial right is primarily a legal conception and has no necessary bearing upon the purely economic question as to the burden of the impost. We have merely to examine the economic implications of the distinction. It will be found that the differentiation between the State as owner and as sovereign has no significance in this connection. If we conceive a certain territory as divided into two parts, the one called the rulers' territory and the other the subjects' country, it is clear that the wealth obtained from the rulers' country will have no effect on the amount of wealth obtained in the subjects' country. Royal domain used to be thought of in something of this manner. Modern conditions, however represent the people as both sovereign and subject according to the point of view adopted. It is nevertheless possible that certain wealth has always been assigned for public purposes and the provision of general benefits while other wealth has been available for private consumption of specific benefits. It might then be argued that the specific benefits enjoyed by the citizens were in no way affected by the expenditure on public purposes. The conclusion will only be correct if we regard the two branches of wealth as distinct and not reacting on each other in possibly varying ways. They will, in effect, constitute two separate countries. But this way of looking at things will appear somewhat artificial if the original source of public income is private income which might, potentially, be diverted to the provision of specific individual benefits. It is at this point that the second aspect of the subject may be introduced. The so-called Ricardian theory of rent draws a distinction between the income from land and the incomes from labour and capital. The former consists of a differential value, a surplus over full marginal costs. The latter under a competitive regime, tend to be equal to the marginal supply price of the factors named. Thus it would seem that if the State is the landlord taking the rent and if this does not form a part of the income of labour and capital the economic condition of the people is not altered. In Fawcett's words, the income of no class of the community is affected. The ground of the discussion thus appears to be shifted; the debate is not as to whether the State in India is properly to be described as the proprietor of the land, but whether land revenue is economic rent. It is not uncommonly supposed that the theory of rent as elaborated by Ricardo applies in western countries, but not in India. For this view there is some support in official literature. The author of the Report of the Rent Law Commission says, "To such a state of things (*i.e.*, those prevailing in India) the theory of rent propounded by Mr. Ricardo and other political economists of the same school has no application; and the adjustment of the relations between landlord and tenants in these provinces, based on this theory, must, we apprehend, involve serious risk of error."

This passage has been responsible for much misunderstanding and has often been quoted in support of the conclusion that "western economics" are not valid in India. The passage quoted shows that its author suffered from a misconception: *viz.* that rent understood in the sense of the actual payment made by the tenant to the landlord is identical with rent understood as an analytical result of splitting up income into its different economic categories. The author of the Report suggests that there is such an identity in the West, while he endeavours to show that in India there is not. He quite erroneously supposes that "Ricardian rent" depends on capitalistic farm-

ing; upon the existence of a wage fund and of labourers paid from capital; upon farming for profit and not for subsistence. All this is incorrect. Economic rent depends for its existence as an economic category upon one thing alone permanent differential fertility, or situation advantage. The possession or enjoyment of this income depends upon the laws of property and the several conditions that are implied in "competition". It has nothing to do with the question whether or no the method of farming is capitalistic. Where two persons are anxious to compete for the use of one piece of land and where land or the produce of land is transferable, there the possibility of economic rent as the income of a separate class exists. These conditions obviously exist in India. But the existence of a separate rent-receiving class is not essential and does not affect the applicability of the rent concept.

This conclusion, however, does not settle the matter. The mistake is sometimes made of supposing that if the State is regarded as the owner of the land that therefore any impost levied upon the land must fall upon economic rent. This, of course, is an elementary error. Two propositions have to be borne in mind:

(a) A tax on land is not necessarily a tax on surplus.

(b) A tax on surplus may be none the less a tax.

The first of these propositions may be illustrated by considering the following cases

1 a tax levied upon the area of land.

Suppose a new impost levied upon land at a uniform rate per acre That land which is on the *extensive* margin of cultivation, *i.e.*, which just pays the expenses of cultivation will probably go out of cultivation. The capital and labour employed on such land, being unable to shift the burden, will seek other employment where the return is higher. If such migration of labour is impossible the standard of living of the cultivator may fall, or, if it is already so low that any reduction will affect the balance of births over deaths, population will fall. But all land, even the best, may be on the *intensive margin of cultivation. That is the last unit of capital and labour applied to* the land is yielding no surplus. Unless the new tax can be shifted from the expenses of production, all the land will thus tend to go out of cultivation. But while land on the extensive margin yields no surplus upon which the tax can be shifted, the land on the intensive margin does yield such a surplus in respect of the pre-marginal units of capital and labour and rather than allow the land to go out of cultivation, the landlord, or rent receiver, will reduce his rent by the amount of the impost. In that case the tax will have no effect upon the degree of intensiveness of cultivation. The intensive margin will be unchanged. It has been stated that the land on the extensive margin *of cultivation will "probably" go out of cultivation. This qualification is* needed in view of certain possible circumstances. It has been said that the increase in the charge upon the marginal income may cause a fall in the standard of living But this standard may be varied in two ways. by the reduction of the commodities consumed; and by the reduction in leisure enjoyed. The new impost may be paid from the product of harder work. It is often remarked that high rents conduce to good cultivation. The same qualification may be necessary in the case of land on the intensive margin. It has been argued above that an impost on land which yields a surplus will be transferred to the receiver of that surplus. If, however, the rent receiver is in a strong bargaining position and the cultivators have no access to alternative employment the burden of the new tax may be borne by the latter through a fall in their standard of living, or, by a greater intensity of labour.

One further circumstance must be noticed. If the produce of land is largely marketed and if the demand for this produce is highly inelastic any curtailment of supply is likely to lead to a rise of price which may have the effect of partially restoring the land on the extensive margin to cultivation. A part of the impost will be transferred to consumers.

The result of the foregoing analysis is to show that a tax levied upon the area of land may, under varying circumstances, fall upon rent receivers, cultivators, or consumers.

The case may next be considered of

ii a tax levied upon the gross produce of land

Economists have always recognised the difference between an impost levied upon net produce, or surplus, and one that is levied upon gross produce. This has often been distinguished as a tax on rent and a tithe. A tax on gross produce will affect both the extensive and intensive marginal application of capital and labour to land. Such a tax will, therefore, if the possible effect on prices and upon the standard of living be neglected, cause a reduction in the amount produced from the land.

The final case to be considered is—

iii. a tax levied directly upon surplus.

Under ordinary circumstances this will have no effect either upon the extent of land that is cultivated, or upon the marginal income from cultivation

From what has been said it will be seen that it is far from true that a tax on land necessarily falls on economic rent alone, or, that, as stated by Fawcett, it does not diminish the wealth of any class of the community.

We have now to turn to the second of the two propositions enunciated above, viz, that a tax on surplus may be none the less a tax.

It is obvious that land revenue, in so far as it is a levy upon economic surplus, does not affect the position of the farmer, or cultivator, save in so far as he is in a position to retain the surplus were it not collected by the State. *Quâ* farmer there is no subtraction from income and thus it would seem clear that there is no tax It is equally obvious that, where a rent-receiving class exists, such a levy is a compulsory subtraction from income. But it may be contended that there is even here no real deduction from income since the capital value of the land revenue will have been amortised in the course of the various past transfers of property by sale According to this line of argument the land revenue would be a tax only upon a past generation of landlords, or upon present landlords where no transfer of property had taken place since its first imposition. Finally, if the State is supposed always to have taken all or part of the economic surplus, to that extent no rent-receiving class will have come into existence. Thus it would seem that under certain circumstances the land revenue does not fall upon the income of any existing class of the community. It should, however, be borne in mind that the land revenue is not entirely peculiar in this respect. An invariable tax of long standing may, with considerable truth, be held not to affect the income of any class For the labour and capital of the com-

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income may be appropriated without affecting service but that if marginal income is appropriated, service ceases. It is, of course, this elementary principle that explains the frequent demand that the financial needs of the State should be met by imposts upon rent.

In any developed State the growth of population combined with the desire to enjoy without labour leads to the emergence of a separate rent-receiving class and to laws of property which secure its possession. Where a private rent-receiving class exists and the State by virtue of its sovereign authority steps in to collect some or all of such rent there would be no hesitation in classifying such an impost as a tax. There appears at first sight no reason for refusing a similar classification in the case of waste land, even where the occupation of the waste is regulated by the State. For it is not an inseparable quality of Statehood that it should appropriate surplus income.

There is no difference in principle between an impost of long standing upon cultivated land and an impost, newly imposed, upon land hitherto unused. In both cases it represents a compulsory deduction from income potentially accruing to a private person without a corresponding cost.

The difference that really demands attention is between an impost upon a surplus and one upon marginal income. In the case of a long standing impost on surplus income from land, as with a new impost on waste land, the principal fact of importance is that it prevents a rent-receiving class from coming into existence and so far does not reduce income per head.

It does not of necessity follow that the State [illegible] or retain public lands in public ownership [illegible] the relative success with which the State o[illegible] develop their property. In early times [illegible] public domain in practically all countries and the tendency in most progressive countries has been to turn public domain into private property. Adam Smith remarked that "The revenue which, in any civilised monarchy, the Crown derives from the Crown lands, though it appears to cost nothing to individuals, in reality cost more to the society than perhaps any other equal revenue which the Crown enjoys" At the present time the majority of economists would, as regards most countries, prefer the levy of taxation on land values to the maintenance or acquisition of land as public domain.

Whether this verdict holds good of India at the present time need not be here discussed. It follows that, if the State owns and manages the land, it performs a service, which will have a cost price, which would have to be incurred, other things being equal, if the land were used to private management. The income from land may here be regarded as derived from a commercial service. The net income should be calculated after deducting pure costs of management and interest on improvements. The surplus should be classified as taxation. How far this taxation involves a burden should be treated as a separate problem from that of classification—namely one of incidence.

Written memorandum of Professor Hamilton.

Q. 38.—I am strongly in favour of the withdrawal of this exemption. I give below the principal reasons that lead me to this conclusion.

1.—*The Pledge of 1793.*

The principal ground upon which continued exemption from income-tax is claimed by the recipients of income from agriculture is the so-called pledge of 1793. In the Regulations governing the Permanent Settlement in Bengal it was stated that "no demand would ever be made upon them or their heirs or successors by any future government for an augmentation of the public assessment in consequence of the improvement of their respective [illegible]" [illegible]

quoted above them- e". It is express- le "in consequence is said with regard the assessment.

In the second place the intention of Government is declared to be of this limited nature as shown by the commentary to be obtained upon the purpose of the Regulations in the Minute by Lord Cornwallis of February 10, 1790 In this Minute it is very clearly shown that the zamindar was not conceived as having any absolute or uncontrolled economic interest in his property. It is said "Whoever cultivates the land, the zamindars can receive no more than the *established rent*, which in most places is fully equal to what the cultivator can afford to pay". Again, it is declared that the financial receipts of [illegible] directions. Thus, Cornwallis, 'It does not appear to me that all existing taxes, if, upon en- r of recent imposition, nor that upon the abolition of them".

Again, Cornwallis distinctly accepts the argument that the ultimate criterion in adjudicating upon the rights of individuals must be the general *welfare of the community* He said, "*I admit the proprietary rights of the* zamindars, and that they have hitherto held the collection of the internal duties, but this privilege appears to me so incompatible with the general prosperity of the country, that however it may be sanctioned by long usage, I conceive there are few who will not think us justified in resuming it."

Finally, Cornwallis laid down that "The supreme power in every State must possess the right of taxing the subject, agreeably to certain general rules".

It is well known the Government of India has expressly declared its belief that the Permanent Settlement was intended to give no promise that taxation, other than an enhancement of the assessment, should not in future be imposed upon the zamindars This is fully argued in Despatch No 5 of May 12th, 1870

Apart from the intention of Government in 1793, it is important to consider what has been the subsequent practice. It is evident that since 1793 agricultural income of zamindars has in fact been otherwise taxed

When the Cess Act was under discussion, it was strenuously maintained by the zamindars of the permanently-settled areas that it was a violation of the terms of that settlement. This view was not upheld.

Further, it is obvious that at the present time such income is taxed, in addition to the payment of land revenue, by the various forms of indirect taxation such as customs revenue It would seem futile to regard as justifiable the imposition of a tax in one form only if it were to be evident that the substitution of a tax in another form would be for the general good.

In discussing the validity of the pledge of 1793, whatever may have been the intention of those making it, the fundamental political principle must be borne in mind that "a Prince is not bound by his pledges".

This seemingly immoral statement is, although of Machiavellian origin, nothing more than an assertion that the good of the whole community must prevail over any decisions or pronouncements of particular governments or rulers in the past If all the past declarations, stated to have been made "for ever," were in practice observed as such the people now and in the future would be enslaved by the "dead hand" and the reality of progress denied.

For these reasons, if it can be shown that on other grounds the taxation of agricultural income by the levy of an income-tax is desirable, the argument from the Pledge, whatever may have been its terms or intention, should be set aside. If this is agreed, it becomes possible to discuss the question from other points of view.

2.—*The Canon of Equity.*

There is no more generally admitted principle of taxation than that which, however it may be formulated, insists that there shall be no specially privileged class in the community which is exempt from the duty of bearing its fair proportion of the tax burden. It is agreed that in India a very large part of the annual value of agricultural produce is paid as rent to the land-owning classes. To exempt such wealth from direct taxation, from which a large part of the central revenue is obtained, while levying it on incomes derived from other forms of capital or from productive services appears a manifest violation of the canon. One man invests his wealth in an industrial enterprise and any profit which he may derive is liable to such direct tax as the state determines to be necessary. Another man buys land and his income is free of direct taxation. Unless there are other valid reasons for such discrimination the failure of justice seems self-evident. There is, however, one argument brought gainst this apparent inequity. It is that agricultural income is already heavily taxed by the levy of land revenue. This argument needs careful examination. It will be convenient to consider different possible cases.

(a) The successor of an original proprietor of a permanently-settled estate.

It is common knowledge that, whatever may have been the proportion of the original assets taken at the Permanent Settlement, the increment in land values has been so great since that settlement that the land revenue now represents a very small part of the income value of the land The whole of the increment has been enjoyed free of income-tax In so far as the increment has been roughly continuous, any purchaser of land during the intermediate period has enjoyed the subsequent increment free of further tax.

(b) A present purchaser of land.

It may be represented that when land is purchased at the present time the buyer takes into account in the purchase price the fact of tax exemption and pays a higher price in proportion. There is no doubt that this will be the tendency so far as past increments of value are concerned, and the purchaser will have given a higher price than he otherwise would have done, just as he would give a highe-
yielding interest free of incom
hardly be contended, however,
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suffer to some extent from the imposition of an income-tax, it may not unreasonably be argued that the growth of population and the development of the country will more than compensate him before many years are passed.

(c) The proprietor of land in a temporarily-settled estate.

Since the land revenue is here subject to revision it might be argued, not only that the present rate of tax is high, but that the state has the means of raising its tax demand upon incomes from this source. Against this contention it may be pointed out that the practice of fixing assessment for long
less than half, of the net
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the rent receiver only a moderate fraction of the incremental value of land. It may be said therefore that neither in permanently-settled areas nor in temporarily-settled does the land tax act as a tax on agricultural profits and that it is only a moderate tax on agricultural rental.

The sufficient argument against the view that land is already taxed up

3.—*The Canon of Economy*

It is important to ask whether an addition to the taxes upon agricultural income would have any harmful effects upon the productive enterprise of the state. The conclusion, in my view, is in the opposite direction. It is commonly admitted that the investment of capital in the purchase of land in India is very slightly attended by the performance of productive functions by the investors. There is no economic gain in diverting capital from industry, for example, into the purchase of agricultural rents. Those who buy land for the purpose of themselves undertaking the business of cultivation are almost wholly persons who, as small cultivators, would be below the exemption limit for income-tax. There is no ground for supposing that the planting industries or the large scale agriculturists should be exempted from income-tax any more than in the case of other capitalistic undertakings. There is, on the other hand, the certainty that the levy of income-tax upon agricultural income would provide a large revenue for the state from a class of persons who above all others are accustomed to spend a large proportion of their wealth in ways that add little or nothing to the production of further wealth.

4.—*The question of Expediency*

Whatever may have been the direct economic advantages likely to follow from a levy of increased taxation upon agricultural income, it has often been supposed to be politically inexpedient to alienate the large landlord interest by any encroachment upon existing privileges. This argument, as applied to the maintenance of the immunity of agricultural income from direct taxation, appears to me to be mistaken. There is, in a large section of public opinion in India, not only outside the permanently-settled areas, but within also, a rapidly growing belief that the large landlords are parasitic, judged from the economic standpoint. Moreover, the sense of inequity arising from a comparison of the position of landlords in the temporarily and permanently-settled areas is becoming acute. I believe that to refuse to subject agricultural income to direct taxation is to perpetuate and stimulate such sentiments, while to remove the exemption would be to greatly lessen their force.

5.—*Discrimination between different kinds of agricultural income.*

In my opinion there is good theoretical justification for discriminating in the tax system between income derived from economic service and income derived merely from ownership. The only important considerations arise when the practical administrative methods for carrying the distinction into effect are reviewed. There is an important difference from the point of view of social economy between income from pure economic rent and income from agricultural profit. While, in my opinion, there is no ground for exempting agricultural profits from income-tax, there is strong theoretical justification for taxing income from economic rent at a higher rate. I am not aware of any serious administrative difficulties that would follow upon an attempt at such discrimination, although it is clear that in practice the income of landlords will often be of a composite character, partly pure rent, partly interest on capital, and partly wages of management. Discrimination would imply a more careful system of account keeping than is probably now the case and these accounts would have to be subject, in case of need, to administrative inspection. The cost of collection would be somewhat increased as also would be the difficulty of tax assessment.

As regards further discrimination between absentee and resident landlords, the arguments in favour of discrimination seem to me to be more doubtful. I assume that in the majority of cases landlords are resident at times and absentee at others, and it might be difficult to determine the proper definition of absenteeism. A considerable element of discrimination might precipitate the transfer of land from the ownership of large landlords to small landlords, and I am far from confident that this would be advantageous.

Q. 96.—A tax is any compulsory deduction made by the state from the income or capital belonging to a person regarded for the purposes of taxation

as a member of the state, and any excess over normal cost of production in the charge levied by the state for goods or services voluntarily purchased by such members of the state.

This definition agrees, so far as the first part is concerned, with that used by many economists It makes the fact of *compulsory* payment suffice without the further consideration of the nature or extent of the benefit conferred.

The second part of the definition is not usually found In my view its inclusion is important in order to prevent "disguised taxation" from being overlooked.

The term "rent" is used in two senses. In ordinary business terminology it means the hire price for a material commodity, as the hire of a bicycle or a house Under normal competitive conditions the rent will be fixed so as to give to the owner the cost, expenses of management, and interest on capital invested, during the productive life of the commodity hired. It is, in effect, a form of extended purchase. The second sense of the term is that commonly distinguished as "economic rent," or surplus. It applies in the case of an imperishable form of wealth and its amount is determined by the differential value, due to natural or other advantages not the outcome of direct capital investment, of any given unit of the commodity over the value of that part of the commodity, the employment of which just remunerates the capital and labour applied to it

The hire price of land is commonly termed rent and the state in India having in the past been frequently described as the "owner" of the land, the land revenue has been regarded as an income derived in virtue of ownership The old use of the term owner was really equivalent to the modern conception of sovereignty The compulsory demands of the sovereign are now defined as taxes and from this point of view the land revenue is more properly defined as a tax The question, however, is complicated by the double sense in which the word rent is used The owner of land under competitive conditions can secure the surplus value of his lands for himself and the greater part of the rent actually paid for land is commonly the differential value

ship the differential value will commonly be transferred to the proprietor from the user, its absorption by the state is represented as leaving the user unaffected In other words, the user is represented as bearing no "burden" as he would if called upon to pay a tax. So far as the hirer of the land is concerned this view is largely, but not necessarily, correct.

In some parts of India the state has definitely surrendered its claim to be regarded as the "owner" of the land. In other parts it still so describes itself. In so far as rent implies merely the hire price paid to the owner it would follow that in the former case the land revenue is a tax and not a rent. But the question of ownership does not affect the issue whether the charge is a form of surplus. In the latter sense land revenue may be called a rent in both cases But it will also be evident that in this sense the surplus or rent nature of the payment is independent of the question of ownership and may belong to a tax.

In my opinion the land revenue should in all cases be defined as a tax, while at the same time it is a tax, the incidence of which is generally, but not necessarily, upon differential value.

Q. 97.—The first part of this question may conveniently be considered under three heads:—

(*a*) is the land tax conceivably a burden upon the cultivator in view of the fact that it is largely, and according to a section of opinion entirely, incident upon the surplus value of land?

I have already submitted a note to the Committee in which I have argued that the land tax is not necessarily levied upon surplus value alone. It will

crops actually grown, but relative to the cultivation of the crops that ought to be grown by a reasonably efficient cultivator, that it will be impossible to say accurately what the surplus value of different lands will be Moreover, this surplus is not a permanent and stable fact, but is affected by varying conditions such as changes in the relative demand for different crops, changes in the distribution of the rainfall, and so forth The real amount of the tax is also largely affected, when it is levied in cash, by the prevailing level of prices. Thus, in view of the many changing factors in the situation, it is quite possible that the land tax, although at the time of assessment levied on the surplus value, may exceed the true economic rent before any revision of assessment is undertaken

But, in actual fact, there is very considerable difficulty in ascertaining the amount of surplus value even in the course of settlement proceedings so that cases may arise where the assessment in the first instance exceeds this amount. My conclusion, therefore, in regard to the theoretical and practical possibility of an assessment in excess of the true economic surplus is that the possibility exists. This conclusion, however, is largely of theoretical interest only The practical issue raised in the question is—

> (b) is the land tax a considerable portion of the gross income of the cultivator and is it levied in a manner likely to be inconvenient to him?

It is a matter of common knowledge that the land tax now levied in the permanently-settled areas represents a very small part of the gross produce of the land. In these areas it is not the land tax, but the landlord's rent that has to be examined, and since the machinery for assessing and modifying rents is largely the same as that for assessing and varying land revenue in the raiyatwari areas, the two problems are largely the same

Both in the determination of fair rents in the permanently-settled areas and in the fixation of land revenue in the raiyatwari areas, the fundamental principle of assessment is not the levying of a certain proportion of the gross produce or of a proportion of the net profit, but a broad calculation as to what the cultivator can pay I do not attempt to give statistics relative to the proportion which the land revenue bears to the annual produce or the selling value of land, since the Committee will have that from the various Revenue Departments I believe it is common knowledge that this proportion is very low as compared with that charged in former times It is also, I think, beyond dispute that the land revenue does not represent a charge which should prove any burden to the cultivator, provided that other economic conditions were satisfactory. It may be pointed out that in Government reports dealing with land revenue it is the practice to state conclusions as to the proportion of revenue to land value or to gross produce in the form of averages for large areas This suffices to prove that there is no large over-assessment, provided the data are correct, but it does not prove that considerable over-assessment does not exist, while it is concealed in the general average I mention this, not as throwing doubt on the truth of the general lenience of the assessment but as indicating that such statistics cannot by themselves be accepted as proof I accept the proposition that at the present time the land revenue is not a large fraction of the gross income of the cultivator, and that recent economic changes have tended very considerably to reduce that proportion.

It has very frequently been alleged that, although the land revenue is moderate in amount, its mode of collection is rigid, and that this largely offsets any benefit which might accrue from the moderation

It is the central feature of Indian agriculture in many parts of the country that it is liable to such variation in the rainfall and other conditions upon which the results of cultivation depend that the occupation of farming is attended by a large measure of economic risk A cultivator may make large profits for one year in five, small profits for three years in five, and a loss for the other year. Provided that the cultivator averages his profits all will be well. In practice, the majority of cultivators do so only to a moderate extent and they transfer the risk, at a high cost, to the *mahajan*. The land

revenue is a first charge on the produce of the land and the general rule is that it is demanded with regularity and punctuality. This inelasticity is often represented as a prominent cause of indebtedness. In a sense the charge is true, but more correctly it is a *husteron proteron*. For if the cultivator were not already in the habit of transferring his risks to the *mahajan*, if he were not already indebted, he would have the reserve which would enable him to meet the revenue demand punctually. As things are, it is an additional force which drives the cultivator to the money lender.

This suggests the question whether a more elastic system of collection is not possible. Various alternative proposals have been made—

(i) that instead of a fixed rate per acre there should be a percentage of the cultivator's profit

There are two very serious objections to this proposal. Administratively the attempt to determine individual net profit in the case of thousands of cultivators in any district would be impossible It would be necessary to ignore individual circumstances and to adopt some more or less automatic index, such as the estimated outturn of principal crops

The second objection is that it would make the standard of life the determining factor of the revenue instead of the revenue the determining factor of the standard of life—

(ii) that instead of a fixed rate per acre there should be a rate varying with the realised outturn.

This would be a change to the old land revenue practice of taking a share of the actual crop, save that in place of a fixed share a graduated share might be taken. To a limited extent this principle is already in force in connection with the practice of revenue remissions and suspensions. I understand, however, that such suspensions are not made automatically in most cases, but are only introduced in exceptionally unfavourable seasons. Also they are applied, not individually, but to areas of considerable size as the unit I am not sure that the system of suspensions could not be made of greater utility than is now the case.

The third aspect of the question under discussion may be summarised as follows —

(c) that no reduction of the land revenue would remove it from the category of "burdens" upon the cultivator, and that from the standpoint of the general welfare it is not advisable that it should be fixed very low.

It is evident that where there is a strong tendency to borrow up to the limit of available credit and to subdivide land up to the point at which a holding will just support the occupier and his dependents a reduction of land revenue is likely to be accompanied by an increase of borrowing or a further subdivision of holdings When the cultivator just manages to subsist on his net earnings and any surplus is absorbed either by the landlord or the *mahajan*, the responsibility for the payment of land revenue must be a burden however small the revenue may be.

A low land revenue, or, in zamindari areas, a low range of rents, may thus chiefly result in promoting subdivision of land and poor cultivation. To take as the chief principle of assessment " as much as the occupying raiyat can afford " (*c f.* section 35 of Bengal Tenancy Act) is in reality no principle at all And in fact a comparison between the assessments of different districts will show that there is no uniform principle applied. In some areas rents are low, but there is no corresponding greater prosperity of the raiyats. In other districts a hard-working and prosperous peasantry coincides with a relatively high level of assessments Under section 35 of the Bengal Tenancy Act, it is not uncommon for a judge to take into account in determining a suit for enhancement the size of the cultivator's family. This may be humane in the particular instance, but it is bad in its general results.

It will be evident that no statement regarding the severity or leniency of an assessment can be made unless the unit area of the holding is defined.

Relative to the prevailing method of cultivation and the crops grown there will be in respect of given qualities of land a certain area which gives the maximum productivity A larger area will require a different method of cultivation or will imply a waste of labour. A smaller area will certainly imply the latter and almost certainly an inadequate supply of capital It should be the main principle of assessment to keep holdings as far as possible at the maximum productive size. To reduce land revenue to the level of the capacity to pay in the case of occupants of uneconomic holdings is to connive at the multiplication of a large population at a low level of subsistence

Q. 99.—The tendency of land revenue administration in temporarily-settled areas has been towards
nently-settled areas the
of occupancy raiyats
inducement to improve
well as to reduce the evil of the expense and general upheaval caused by settlement revision.

Admitting the advantages of a long-period settlement, it has been accepted that important price changes may inflict serious injury upon the one party or the other to the land contract Hence, within the term of a settlement, facilities are given for ... on account of price changes But su... ...rable expense and can only be effect... It would be a very great advance in ... of cash rents if the rent fixed at a settlement were made variable year by year in accordance with a sliding scale of multipliers based on price changes. This scale should be based on an index of general prices and not upon an index of prices relating to the crop grown only For the object of the scale would be to adjust for changes in the general purchasing power of money and not merely for variation between good and bad seasons.

Taxation in relation to Taxable Capacity.

Under this head I would offer a few broad generalisations for the consideration of the Committee

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2 There are two features of Indian economic life of special importance relative to taxable capacity the extremely low productive efficiency of a very large proportion of the people, and the great preference for leisure over labour. There is a large potential increase to the amount of wealth production to be made available through the improved physical and mental development of the people In my opinion advance in these directions can only be made through a large expenditure of public funds and any such improvement will add largely to taxable capacity. Moreover, very large sections of the people work only so hard as they need to provide a low standard of consumption, but the addition of a moderate further tax burden will result not in a lowered consumption, but in a larger production For these reasons I think that opportunity for productive expenditure rather than apparent taxable capacity should be the measure of taxation

3. In a country such as India it is largely true that very great sections of the people will live at the lowest standard of life at which they are allowed to live An improvement in that standard will only come by increasing the demands upon the people To exempt the lowest economic sections from taxation will not improve the economic position of the people within them For this reason I hold that there is complete justification for the levy of a

tax such as the salt tax or a poll tax, which falls in the first instance upon the poorest sections of the people. In the past the broad tendency of economic life in India has been to absorb increasing national wealth in a large surplus enjoyed by comparatively few in unproductive expenditure and in the provision of a greatly increased population at a very low standard of life. The problem of the future is to divert the surplus into productive uses and to improve the quality rather than the quantity of the population.

Note on certain estimates of Income in India.

(1) The lack of reliable economic statistics.

It is a commonplace, frequently insisted upon, that one of the chief difficulties in the way of reaching reliable conclusions regarding the economic condition of the people of India is the want of satisfactory statistical data. While admitting fully the difficulties in the way of collecting such data it is impossible to absolve Government, both in its central and local branches, from the charge of underestimating the importance of making a more determined effort to overcome these difficulties At certain critical junctures the serious handicap to legislation and administration arising from this defect has been emphasised by important official bodies and suggestions have been made for its removal, at least in some degree Such suggestions, however, have received but little response from those in charge of the permanent departments concerned and little has therefore been done Thus when, as the result of famine,

[illegible]

corresponding departments were created in the provinces and the new departure came to nothing in face of official inertia. In 1881 the Agricultural Department was again galvanized into life as the result of the report of the Famine Commission of that year It was agreed that hitherto "agriculture has chiefly been considered by the Government rather in its relation to the land revenue, which forms the mainstay of Indian finance, than from the point of view of the food supply of the people." As the result of the recommendations of the Famine Commissions, Departments of Agriculture were started in the course of the next few years in all the provinces. Among the specified functions of the new departments was the collection of agricultural and fiscal statistics. The Famine Commission was fully alive to the importance of an efficient intellige [illegible]
tion of the people It ac [illegible]
accountants should be put [illegible]
as in Bengal, these account [illegible]
Over the village accountants there was to be a staff of active officers to superintend their work. In every district there was to be a special officer whose main work was to be to take charge of all matters connected with the economic condition and well-being of the people. In particular he was to supervise the collection of statistics of crops, prices, cultivated areas, and vital occurrences and to keep himself informed of the causes affecting the economic condition of the different sections of the people. This recommendation was, in essence, disregarded Agricultural and vital statistics have been collected, but they are admittedly so inaccurate that they are of doubtful value No agency has been set up for the proper supervision of their collection or for effective collation and publication. This example is largely characteristic of what has occurred in respect of other branches of statistics. It may, perhaps, be recalled that when on a recent occasion the demand for economy led to the reduction in the staff of the Director of Statistics and of their work the principal basis on which the decision was reached as to what statistics should be dispensed with was the opinion of leading business men as to the

practical usefulness to them of the statistical publications It would be difficult to select a more ineffective judgment relative to any statistics not directly used in the day to day operations of commerce.

It is important to insist that for the purpose of statistical enquiry private agency alone is often quite inadequate. Although much help can be obtained from voluntary sources, it is essential that public funds and in many cases public sources of information and public authority should be invoked But the primary and fundamental necessity is the creation of an organisation of a specialised and permanent character in every province for the collection and formulation of statistical information To such an organisation the statistical work of other departments should be transferred and officers who are now required, without any evidence of their aptitude, interest, or leisure, to deal in sections with the collection and presentation of statistical material should be relieved of this part of their present duties

(2) Estimates of Indian incomes mainly of two kinds

The published estimates of the income of the Indian people may be classified under two heads:—

(a) Attempts at a valuation of the produce (usually the agricultural produce only) of the country produced in the course of a given year or for a "normal" year. The total value is commonly expressed as an average for the whole population and no attempt is made to ascertain the distribution of the annual product.

(b) Intensive studies of sample or representative villages, or individuals. Typical examples are the enquiries supervised by Major Jack and Dr. Mann and the family budgets collected by the Chanakya Society of Patna College or the Bombay Labour Office.

(3) Critical notes on certain of such estimates

A —VALUATIONS OF TOTAL PRODUCE

(i) *Estimate by Mr Dadabhai Naoroji, 1870* —Mr Naoroji was the author of one of the earliest estimates of Indian national income His method of calculation was extremely simple. Having stated that "the whole produce of India is from its land" he took as the foundation of his estimate the amount of the land revenue, then £21,000,000 He then made the assumption that the Government took at least one eighth of the gross produce of the land and hence £168,000,000 represented the value of that produce He added the gross opium and salt revenue and the revenue from forests on the ground, presumably, that these revenues equal the gross values of opium, salt, and forest produce The total so obtained was accepted as the value of the *raw produce* of the soil. It amounted to £182,000,000 which was then raised to cover the value of alienated lands, coal, and "anything else" Taking the population of British India as 150,000,000 the resulting income per head was Rs 27 approximately *But Mr Naoroji raised the total income* to £300,000,000 in order to include the value of manufactures, intoxicating liquors, and any omissions The result was an estimate of the gross production of British India as Rs 40 per head

The worthlessness of this estimate is apparent The method adopted of reaching a total for the gross agricultural produce is clearly without justification. The proportion which the value of the crop bears to the land revenue varies within wide limits according to the nature of the crop, the character of the settlement, and so forth, and there is no reason to suppose that the resultant of all these variations is one-eighth. Moreover, in large parts [illegible] and one third of Madras, where [illegible] land revenue bears no similar [illegible] other parts of the country Important sources of income are entirely omitted from the calculation, such as the produce of fishery, and the estimated value of £100,000,000 for manufactures and "omissions" is little better than a blind guess

(ii) *Mr. Naoroji's second estimate.*—Mr. Naoroji's second estimate of national income was based on a different method. At that time Parliament required an annual report from each Local Government regarding the progress of the people. A Statistical Committee in Calcutta drew up a schedule of information that should be included in such reports and among the information asked for was a statement of cultivated area, the yield per acre, and the price of the various crops The local governments varied very much in the degree of completeness with which they supplied the information asked for Only two provinces, the Central Provinces and Burma, made complete returns Bengal and Bombay appear to have made none at all. On the basis of this very scanty information, Mr. Naoroji did his best to compile an estimate of national income. In most provinces he had given the cultivated area, although in some cases even this was not stated, *e.g.*, in the case of Bengal No complete information was given as to the area under the different kinds of crops so that Mr. Naoroji simplified the problem by assuming that all the land was sown with one or two principal crops of that particular province. An average yield was then taken from the returns, or where, as was often the case, no information was provided as to yield, Mr. Naoroji made his own guess. The average yield, multiplied by the area cultivated, multiplied by the prevailing price, was then taken as giving the value of the total agricultural produce.

A few of the statistical pitfalls standing in the way of a successful calculation on this basis may be noticed

(a) *The productive area*—Mr Naoroji includes only the land returned as under cultivation and in some cases this had to be estimated; for example, the area in Bengal was obtained by assuming that the same area per head was cultivated as in the North-West Provinces, a very improbable assumption. Apart from this no allowance was made for double cropping or for the area available for grazing, or for the produce of fruit trees, or of forests.

(b) *The yield per acre.*—It is obvious that the yield per acre varies widely according as the land is irrigated or dry, fertile or poor. No statistics were available showing the division of the land into these various classes. Hence a single average figure had to be guessed at. It is clear that in adopting average yields everything depends on the accuracy with which the average reflects the proportion of the land that is dry or wet, good or bad. There is here a very large margin for error But the greatest error committed in this case was the omission of all the more valuable crops, such as sugarcane, jute, garden crops and so forth.

(c) *The valuation of the produce.*—For the purpose of valuation prices ruling in local markets during the two years 1867-68 and 1868-69 were taken. It was a definite belief on the part of Mr. Naoroji that the produce must be valued near to the source of supply. In c[illegible]
admit that carriage could add to the value [illegible]
same view with regard to services. Mr. [illegible]
vator employed a doctor the source from [illegible]
the wheat grown on his land. This was calculated in the estimate of land produce. Thus to count it also in the form of the doctor's fee would, according to Mr. Naoroji, be to count the same thing twice. It is evident that on this view the railways of a country, to say nothing of its professional men, add nothing to the real income of the people. The erroneous nature of such a belief is apparent.

The gross produce from the land arrived at was £277,000,000 from which was deducted 6 per cent for seed, leaving £260,000,000. There remained certain other items of income for which Mr. Naoroji made allowance. The value [illegible] £17,000,000.
The a[illegible] of
meat, [illegible] a
total [illegible] as
added for contingencies, giving £310,000,000 or Rs. 40 per head for the people of British India *for a good season.*

It is scarcely necessary to criticise this estimate in detail The data were wholly inadequate for the purpose. Not even the cultivated area was known. The yield was taken from estimates for small areas that were treated as typical of the whole. The value of the yield was based on the assumption that only common food crops were grown. The grounds for the valuation of dairy produce, fish, the products of industry and the profits of commerce were of the flimsiest. Grave inconsistency was shown in admitting commercial profit as a form of income while rejecting the services of transport.

(iii) *Official Estimates of Agricultural Produce.*—The first official estimate of agricultural produce was made by order of the Famine Commission of 1878 This was revised as the result of an enquiry on similar lines carried out under Sir David Barbour in 1881. The data for the enquiry were—

(a) estimates of the food-crop area,

(b) estimates of the outturn of food-crops,

(c) estimates of the non-food-crop area,

(d) estimates of the outturn of non-food-crops.

Quantities of produce having been calculated they were valued at Rs. 50 per ton for food-crops and at Rs 30 per ton for non-food-crops This total value

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food and non-food-crops were very accurately known in many provinces. Still less was the distribution of the land as between the more and the less valuable crops.

Taking the gross value of agricultural produce so far as enumerated, which came to Rs 350 crores, as the product of the 65 5 per cent of the population directly employed in agriculture and assuming the income of the remainder of the population to be at the same level per head, the income of the people of British India at that time would have been Rs. 525 crores or Rs. 27 per head of population

In 1898 the Famine Commission of that year caused a revision to be made of the results of the 1878 estimates. This revision was confined to a fresh calculation, on the same lines, of the output of agricultural produce It made no new valuation of the produce, but accepted the same valuation as that of 1878. On this basis the gross value of the year's agricultural produce worked out at Rs 20·3 per head of the population.

[illegible] nted out that taking [illegible] per head, to that of [illegible] ot Rs. 30 per head

In 1914, as the result of enquiries in the Imperial Legislative Council, a fresh investigation into the value of agricultural produce was undertaken by the Department of Statistics This enquiry was pursued on a double basis. On the one hand, the method used in 1878 and 1898 was adopted, and the revised figures obtained for the output of the year 1911. This output was valued at an increased rate owing to the intervening rise of prices By this method the value of agricultural produce per head of agricultural population was given as Rs. 49 6.

Recognising the imperfection of the old basis of investigation, a separate enquiry was at the same time carried out on a different basis. The chief differences of method were as follows —

(a) the value of each crop was worked out separately instead of by means of an average value based on the prices for a few crops only. Thus allowance was made for the crops of higher value,

(b) the produce was valued according to wholesale market prices for the year 1911 as far as possible, instead of local retail prices, on the ground that wholesale prices are more accurate indices of value,

(c) a number of commodities, omitted from the earlier enquiries, such as straw, fodder-crops, milk, wool, hides and skins, silk, and forest produce were included.

The statistics of cultivated area were taken from the agricultural returns of 1910-11. The estimated yield in the case of rice and wheat was that used for the crop forecast of 1910-11 In the case of other principal food-grains the yield was based on crop-cutting experiments in 1910-11. For various other products the values were obtained from various sources, such as the Prices Enquiry Report, the Return of Prices and Wages, or were estimated on the basis of certain published price statistics, all of which did not relate to the new year of the enquiry.

The total value of agricultural produce thus obtained was 12,83,04 lakhs of rupees, or Rs. 72 7 per head of the population of British India directly dependent on agriculture.

In considering the significance of this result certain qualifications must be emphasised

(a) The estimate is for a single year It must be noticed that the area sown with crops varies very considerably from year to year according to the nature of the rainfall Thus in 1917-18, a year of high rainfall, the area sown with crops was 268 million acres In 1918-19 it fell to 227 million acres or a difference of 15 per cent. The variations in crop yield are even greater Thus the outturn of the seven principal food-grains in 1917-18 was 62 2 million tons, while in 1918-19 it fell to 42 4 million tons or a variation nearly one-third relative to the former year The year 1918-19 was in many ways exceptional An unfavourable monsoon was accompanied by the severe influenza epidemic which caused great loss of life and seriously disorganised the work of cultivation But the fact that agricultural produce varies within wide limits from one year to another shows that to take the statistics of a single year is liable to give a false conclusion unless we are sure that the year chosen represents a fair average

(b) The estimate is an understatement. In stating the produce per head of the agricultural population at Rs 72 7 the enquiry of 1914 took no account of certain sources of production which in the aggregate are of considerable importance. Thus, in estimating the value of forest products only, forest under Government control was taken into account and even for this the valuation of the products was certainly an under-statement. No one familiar [illegible] the very considerable [illegible] wood and jungle and [illegible] value is embodied in [illegible]ials, and must not be [illegible]ance is made for the [illegible]no earned by animals which largely get their living free. The people themselves largely add to their food supplies from the produce of the jungle. Among the aboriginal population this is especially true. In the Census of 1921 the population returned as belonging to the Tribal Religions, formerly classed as Animists, was nearly 10 millions. But large numbers of aboriginals are classified as Hindus. These people subsist in a far less degree on the produce of ordinary food-grains and the wild animals and jungle products upon which they largely subsist are not included in the estimates that are here considered.

Another important omission is the produce of fishing. It is true, that the enquiry related to agricultural produce and from this standpoint the omis-

sion becomes serious. According to Jack the families in comfort in Faridpur spend one-sixteenth of the sum which they expend upon rice in buying fish and even the famili
Of course, the peop
the supply of fish.
lation who are able
fishing in the sea, the rivers and the tanks and petty streams.

Finally, a most *important factor in income is that of house-building materials.* In an Indian village nearly the whole of these are obtained free from what may be broadly included as the produce of the land. In an English village a family will commonly spend as much as ten per cent of the family income on house accommodation. In India this form of income is obtained almost entirely from the labour of the family, but it is not included in estimates of the value of agricultural produce

(c) The estimate is largely dependent on the accuracy of the figures for crop outturn A consideration of the reports of settlement operations in different parts of the country will show the large margin of error that enters into this calculation The statements of cultivators will, naturally, nearly always place the figures for outturn too low It is commonly believed that the correction of
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(ii) *Estimate of Agricultural produce for the Madras Presidency, 1919-20* — In the Madras Year Book for 1923 is contained an estimate of agricultural income for the Madras Presidency reached by Dr Gilbert Slater on the basis of figures for agricultural output relative to the year 1919-20 The summary of these values is as follows —

	Rs
Cereals and pulses	1,73,68 20,000
Sugar	9,30,86,900
Condiments and spices	30,58,40,200
Fruits and vegetables	20,92,44,100
Minor food-crops	67,38,800
Drugs and narcotics	14,37,22,900
Fibres (chiefly cotton)	10,92,87,000
Oil-seeds	20,29,89,700
Dyes	52,16,700
Miscellaneous non-food-crops	76,88,500
Live-stock	27,60,18,900
TOTAL	3,09,66,53,700

The population of the Madras Presidency in 1921 was 42,794,155 of whom 71 per cent were employed in agriculture This gives an agricultural population of 30,383,850 This population divided into the value of the agricultural produce gives Rs 102 (nearly) per head

With regard to the data for this calculation, it is said that the area under the different crops is extremely accurate Almost as great accuracy is claimed for the prices at which the crops have been valued except in a few instances, the magnitude of which is not sufficient greatly to affect the result. With regard to estimated outturn, it is admitted that although great
"average yield per acre"
e figure was admit-
which came out so
worth of milk per
day.

In problems of produce valuation one of the difficulties to be overcome is that of double counting. It would obviously be an instance of such error if the food eaten by an animal were included and the animal itself were separately valued in the case where the animal was solely used for the production of food. If the value of the fodder is taken, then the value of the animal must be excluded. If the value of the animal is included, that of its fodder must be omitted. In this case the value of the animals was ascertained by a separate valuation of the milk, wool, hides, skins, cattle-dung used as fuel, the value of the carcase when dead, and the earnings from carting other than of agricultural produce. The value of certain agricultural products consumed by the animals was consequently omitted. The most important excluded items were straw, cotton seed, horse gram, and manure.

Other items omitted, not because of double counting, but on account of the difficulty of valuation, were the ingredients for making toddy, the milk of sheep and goats, eggs and poultry.

It will be seen that, unlike the official estimates already referred to, no value is included for forest products, presumably because such products are not strictly agricultural in character. For the same reason presumably, and following the official estimates, no allowance is made for the value of fish.

Certain comments may now be suggested relative to the foregoing estimates.

(i) The method of valuation.

It will be seen that in the official estimate of 1914 and in the Madras estimate for 1919-20 the agricultural produce was for the most part valued at market prices. Information is not given to show whether average market

not only include the cost of transport services but, in some cases at least, the

leaves the country. But that part of the value of produce due to others than the cultivators will not properly be included as agricultural income, but as commercial or industrial income. It is thus necessary to recognise that the valuation of produce must at each stage be relative to the productive functions that have been devoted to it. In other words it is impossible to value produce without regard to the persons who obtain the incomes from the various stages of its production.

Not only is the place of valuation important, but also the time. Between harvest and consumption the value of a crop may considerably appreciate. This will be so even where the crop is stored in the village for village consumption for allowance has to be made for the cost of storage and for loss by wastage.

The official estimate did not keep wholly clear of the error of double counting in 1914. The valuation of farm animals presents certain difficulties that have already been noticed. When farm produce is valued at neighbouring market prices it must be taken to include the value of the animal labour
rly, these prices will include the labour
o draw water for irrigation or to work
vator to prepare his produce for market.
nearly the whole value of cattle to the
for. It is doubtful how far the hides,

horns, etc., of the animals should be included as agricultural income. To some extent their inclusion is correct since, even where the cultivator does not sell them, he probably gets cheap leather goods from the *chamar* or *muchi* in return for the privilege of removing and using the dead animal It is evident that to include in addition to the items of value mentioned, the value of grazing and of fodder crops is to count separately a value that is already taken into account in the value of animal services or animal products It is true, however, that in one respect the value of animals is understated in all the estimates that have been considered. For, in addition to the forms of animal labour referred to, agriculturists add something to their income from the possession of animals by transport services not connected with the transport of agricultural produce or the performance of farm labour.

(ii) The value of produce in relation to income

Although it is expressly stated in the accounts of the official estimates that the reference is to the value of all agricultural produce, and not to the income of the agricultural population, yet the force of this qualification is very largely nullified by the expression of the result as a value per head. Also there is the hypothetical statement of what income per head would be if the income of the non-agricultural population were assumed to be equal to that of the agricultural It is important to enquire, therefore, how far, if at all, the estimates of agricultural produce enable us to guess at the average income per head of the whole population.

The first question that must be considered is (*a*) what is the agricultural population?

It will be borne in mind that the estimates of agricultural produce refer to British India only. They should be related, therefore, to the population of British India.

The total of workers and dependents in agriculture in British India, excluding fishing and hunting, was 182,411 686 in 1921. But these are very far from all being productive agriculturists The Census explains that the category of agriculture includes—

(*i*) the recipients of rent from agricultural land,

(*ii*) ordinary cultivators,

(*iii*) agents, managers of estates, clerks, rent collectors, etc.

(*iv*) farm servants,

(*v*) field labourers,

(*vi*) growers of special products (tea, rubber, etc.),

(*vii*) market gardeners

As the Census remarks, "the term agricultural occupation is used in a somewhat loose and extended manner" The Census enumeration divided the total agricultural population between these classes as follows —

Class	Number
i	7,766,259
ii	138,176,016
iii	526,864
iv	5,043,388
v	25,824,364
vi	1,342,778
vii	610,299

From the point of view of the subject which we are here discussing, the important issue is whether the persons thus enumerated enjoy between them what may be called the primary income from agricultural produce or whether these numbers are swollen by others enumerated elsewhere in the Census classification, and whether these agricultural classes add materially to their income from non-agricultural sources

It may be confidently stated that the primary value of agricultural produce is shared between a larger number of persons than those enumerated

above The first point that may be noticed is that agriculture in India is financed at a very high rate of interest. Much of the work of financing is done by persons included among the agricultural population, and while the distribution of the agricultural produce is thus affected, it is not diverted to this extent from the agricultural population. Nearly all those included as rent receivers will also be in some form or other money-lenders Many of the more well-to-do cultivators will perform the same function But the Census gives 1,922,995 persons as the workers and dependents engaged as grocers and the selling of oil, salt, and other condiments 1,215,679 persons are enumerated under the head of grain and pulse dealers. Some of these are the shop-keepers and the dealers of the towns, but the great majority are the village *banias* They also are in almost all cases money-lenders. These figures raise a question of some importance. Is the money paid by the agriculturist to the money-lender as interest on advances to be treated as a subtraction from his net income? Mr Naoroji argued that to count the payment made by the cultivator to the village doctor as a separate income earned by the C ... ly
one source for ... he
produce of the ... as
a deduction to

Mr Naoroji was very clearly mistaken, but the case of the interest charged by the money-lender is not so simple It would be unquestioned that the value of seed, for example, should be deducted from the gross agricultural produce in order to arrive at the net income from cultivation If the value of the seed is advanced to the cultivator by a capitalist and interest on the
... ect to deduct the
The capitalist
ent must be in-
the other hand,
lent satisfaction
and not an instrument of production, for example, in order to marry his daughter, the interest on the loan represents part of the cultivator's net income and for this purpose the money-lender is outside the category of the agricultural population.

The Census contains another sub-head of the population which is picturesquely described as enumerating "beggars, vagrants, witches and wizards". There are no less than 2,018,505 of these in British India and for economic purposes a large proportion of them should be added as "dependents" upon agriculture. There remains a very considerable number of persons who, although not included among the agricultural population, enjoy a not inconsiderable share of the value of its primary produce The system of joint family property results in many of those enumerated under the head of industry, trade, and the professions receiving shares in the produce of the family lands. In any attempt to reach an estimate of the net income per head going to those engaged in agriculture, a very considerable allowance for value received by the persons retaining an interest in the land, but finding their main income in some other occupation, must be made.

Finally, the Census includes 6,523,805 persons classed as "labourers and workmen otherwise unspecified". It is certain that a proportion of these are at least part-time agricultural labourers participating in the income from agriculture.

It is thus evident that relative to the problem of the distribution of the primary produce of agriculture, the numbers to be included must be increased by several millions over those included as the agricultural population in the Census.

The next question that must be raised in relating the produce of agriculture to the income of the agriculturists is (*b*) to what extent is the income of the agricultural population swollen by receipts from non-agricultural sources?

The answer to this question is that the addition to be made on this account is large and consists of forms of income, some of which are well recognised, while others are frequently overlooked.

enquiry into the value of agricultural produce—"It will be seen that the value of agricultural produce in British India has increased considerably in recent years and illustrates in some degree the important truth that Indian wealth has increased and is continuing to increase at a far greater rate than population". "The income so-called calculated on the lines adopted by Sir David Barbour was Rs 27 in 1881, Rs. 30 in 1901, and Rs. 50 in 1911. On the revised method Rs. 73 was the so-called income in 1911," . . . . . . "these results are of value . . . . as showing the rise in the value of India's agricultural production."

The meaning of these statements is, on the face of them, somewhat ambiguous. If the term "value" is used as *synonymous with "price" the conclusion* is obvious but valueless That this is not Mr Shirras' meaning appears from his statement that India's wealth is increasing at a far greater rate than population. Such a statement would be ridiculous if only money prices and not real income were me[illegible]
for changes in the purchasing pow[illegible]
parison is without justification I[illegible]
this correcting factor to the money [illegible]
mates are essentially incomparab[illegible]
their collection. One qualification[illegible]
Barbour made his estimate as a rough indication of "the incidence of taxation" Since the real value of money taxes will roughly vary in the same proportion as general prices, a comparison of incidence does not require a correction for price change

The first general proposition to be laid down regarding a comparison betwee[illegible] ultural sections of the [illegible] This is the force of t[illegible] var, that an agricult[illegible] town labourer on 30s. The first point to bear in mind is that, as already noticed, much of the real income of the agricultural population has no money counterpart. He seldom pays house rent; he pays no miller for milling his flour or baker for [illegible]
he f[illegible]
unp[illegible]
inc[illegible]
vati[illegible]
fortable maintenance". A second and very important point is that the agricultural population is largely free from the necessity for much expenditure that is obligatory in the towns. He is compelled to pay for no sanitary service or very little; he pays little for the upkeep of roads; he is under no compulsion to part with a not *inconsiderable portion of his money wages* to the sirdar For these reasons the real income of the agricultural population is much more than is apparent from the money value that he receives. The [illegible]

his agricultural produce he appears to have a gross money income of, say, £24 a year at the prices of 1911. An English agricultural labourer at the same time would have received under favourable circumstances perhaps £40 a year. But the additional items of real income enjoyed by the Indian would almost certainly be much greater, while, if interest on capital borrowed is omitted, he would have a considerably narrower range of necessary expenses. It is, of course, understood that the poorer class of Indian peasant would not, in fact, receive a money income equal to the average value per head of the total agricultural produce. Yet the comparison suggests that the difference between the two is less than is often supposed.

Although the real income of the agricultural population is considerably larger relative to that of the non-agricultural than would be suggested by a mere statement of the money income received per head by the members of the two groups, partly because of the forms of income obtained without the

use of money by the former, and partly because they are free from various necessary expenses incident to town life, yet, in my opinion, there can be no doubt that the income of the non-agricultural group is very considerably larger, per head, than that of the agricultural. The reasons for this view are (*a*) a part of the produce of agriculture goes as income to the non-agricultural group.

The effect of this transfer will, of course, be to reduce somewhat the income of the agricultural group and will not affect the income *produced* by the non-agriculturists

(*b*) Sections of the non-agricultural group contain the ablest members of the community; the members of the most highly paid callings; and are assisted by a much larger capital per head than is employed by the agricultural group

In making these statements it is not overlooked that a considerable part

that the income of the non-agricultural population living in villages is on the average less than that of the agricultural group. This conclusion is strengthened when account is taken of the fact that the value of the agricultural produce given in the estimates that have been mentioned is gross value For part of the difference between the gross and the net value is comprised in the interest on capital employed in agriculture which, as has been mentioned, is partly supplied by the non-agricultural population of the villages Thus here also a part of dy been accounted for. The conclusion he average exceeds that already allowe ce must therefore depend on the larger

The non-village population of British India is commonly defined as that living in towns with a population of 5,000 and over In 1921 this population was as follows —

Towns with—

510,000 persons	1,020,000 persons	2,050,000 persons	50,103,000 persons	100,000 and over
9,902,639	5,543,433	4,694,815	2,688,054	7,156,078

This gives a total of 29,985,619 persons The agricultural population was 182,411,686 persons Thus the non-agricultural population of the villages may be stated at 34,506,395 persons.

The 30 millions of persons, workers and dependents, who constitute the town population of British India comprise practically the whole of the labourers in large-scale industries, the clerks, managers and shareholders, the successful lawyers, teachers, and administrators, and the managers and employees as well as many of the proprietors of the larger shops. When the income of these different classes is allowed for, it seems impossible to suppose that any defect of income found among the 34½ million non-agricultural population of the villages is not very much more than balanced by the excess of income over the average enjoyed by the 30 million town dwellers.

This conclusion will, of course, be rejected by those who maintain that national income should not include the income obtained by the performance of services which do not directly result in the production of material commodities. Such a doctrine is maintained by the authors of a recent work "The Wealth and Taxable Capacity of India". I would only suggest that this view would seem to lead to the logical conclusion, either that incomes from services

other than those performed in the production of material commodities do not exist or that they have already been accounted for in the incomes derived from direct material production. The further conclusion follows If they do not exist they cannot be taxed. If they are really included in the income otherwise accounted for, their equivalent must be deducted from incomes properly so-called before reaching the taxable capacity of incomes. If a person indulged freely in attendance at cinema performances, he might easily on this view convince the taxing authorities that he had no income above what was spent on the bare necessaries of life.

Professor Hamilton gave oral evidence as follows:—

The President Q.—In your definition of tax, would you include compulsory payments for which a specific return is given?

A.—Yes

Q—How do you apply that to our enquiry? We are instructed to consider the redistribution of taxation within its present limits. Would you include in estimating those limits the whole of the charges for which a specific return is given?

A—For practical purposes, no That would mean that you would have to investigate High Court fees and things of that sort It seems to me that it ought to be within the scope of this Committee to consider what part, if any, of the revenue of the post office or railways is in the nature of taxation.

Q—May we take the case of a State railway, that is practically a State monopoly?

A—It is, of course, to some extent. But it is running in competition with other railways which are not State railways

Q.—What is the taxation there?

A.—I would define the tax element there as the surplus over the normal supply price of the service rendered. Suppose you use your railway as a means of getting money into the general coffers of the State. Something over and above what is necessary to render that service, may be rightly regarded as a tax.

Dr. Paranjpye. Q.—Is the one per cent that the Government takes a tax?

A—Yes.

Q—You told us before that it was unsound that the Government should take it.

A.—That was in answer to the question whether it was a good or a bad tax. For purposes of definition, it is a tax. What I said before was that *it was not a sound policy for the State to make use of a service like the railway service as a means for securing revenue.* It is not a good instrument of taxation.

The President. Q.—My question on that occasion was, "The one per cent which the Assembly has recently voted was based on the belief that the ordinary return of a sound railway in England is one per cent more than the return for Government paper. Therefore the Assembly considers that they are entitled to receive out of their railway enterprise the same return as the investor gets in England. They think that when the railway yields a profit they are entitled to one per cent." You replied, "Quite an unsound argument, I think."

A.—That is again a different point. It is not a question of definition. That was a question whether the Assembly was right in thinking that the return should be one per cent more than the return on Government paper. Why should they assume that the general funds of the country should benefit by a service from the railway? You can put it in this way: that the State railway can borrow more cheaply than a private undertaking and therefore its

cost of production would be less than what it would be in the case of a private undertaking, and therefore, the difference between the cost to the State and the cost to a private enterprise should be treated as surplus available for general revenues But I do not think that there is any justification for that. The real point of the argument is missed the ground for arguing that the railway or any other public service should in general not be made a means of taxation is that the service itself is valuable and should be encouraged and should be used up to the fullest extent, unless there are some special reasons [illegible] do not want to restrict [illegible] ike the railway service [illegible] ou do so and get back [illegible] to me you are taxing [illegible] productive, instead of putting your tax on the realised wealth of the community It is a tax on production to some extent

Q—What do you mean by cost of production?

A.—I think you ought to take the normal cost of production *to the State* into consideration

Q—Not what it would cost the private enterprise?

A—No, You have no means of ascertaining what that is Supposing through the State enterprise there was a monopoly which may be more economical as a method of production than that of a series of rival firms It seems to me it would be quite unsound to take as the standard of the basis for your cost what these rival firms would have to spend, instead of taking the true cost of your more efficient machinery.

Q It should be a fair business profit.

A—It is a broad indication of the fact that it would in practice, in the long run, cover and no more than cover expenses of production. Expenses, of course, vary from year to year. You should also make allowance for the replacing of the machinery and wear and tear, and so on, and it is generally the assumption that under competition year in and year out, the actual business profits do cover these various expenses This is what is meant. It is not meant that you should take a business profit which may be different from the State profit.

Q—Your business cost of production includes the element of profit, your State cost of production does not?

A.—It is only a difference in words One has got to analyse the profits. The word "profits" has so many different meanings in different connections Supposing you have a private shop, where the man owns part of the capital of the shop and does not charge any salary for himself as managing director. That would give a very large surplus over his outgoings which he would perhaps treat as profits All that would, in one sense, be profits

Sir Percy Thompson. *Q*—In the case of a private enterprise, he wants a reward for it, but in the case of a State enterprise, the State is entitled to compensation for the risks

A—Normal experience shows that if not this year, at least next year or the year after next or the year after next, you will have your profit.

Q—You have a province here which starts an irrigation work, "A." It does not know what it is going to cost And it finds that the particular enterprise does not pay its way There is another irrigation enterprise, "B," in some other part that fulfils all expectations and does pay You take a risk and you can realise profits. Are you not entitled to take considerable profits from enterprise "B" You take a certain risk and if you lose, you lose. Supposing your work is successful, are you not entitled to take a profit?

A—When you say "entitled," you mean "desirable"?

Q—Yes

A.—No, I think not. This is the difference. Leaving out altogether any private advantage, what, from a social point of view, is the justification for private profit in that particular connection? People are going to take the risk and they are going to get that service. The State can decide "it is

wise for us to irrigate the country: we know we are not perfectly right in anticipating results If we make a loss here, we go out If we can make a big profit there, it is a justifiable undertaking." Of course, if you take irrigation, there again there may be full justification for taking a part of the surplus There I think your object is to sell the utility to the community as cheap as you can.

The President Q.—But is not there another aspect of it? In most of these cases, you are selling service not to the community at large but to a section of the community?

A.—Yes.

Q.—And in that case, the whole community sells to the section.

A —But the community is already getting back what it advances, if you look at it from a purely business point of view, in the interest which is being charged as part of the cost of production

Q —May I put it in this way? You have a certain amount of credit available. You can stake that credit in a variety of different enterprises and one of those enterprises gets a preference. The whole community benefits by that enterprise. Should not they pay for that?

A —It seems to me that that is assuming that there is only one possible direction in which you could make an investment.

Q —No, I am assuming that there is a great variety.

A —Then if there is a great variety and you distribute your capital between different objects so as to give the same marginal rate of interest on each, then you can say that the whole community is benefited. Though particular sections are benefited by certain enterprises, in so far as the whole of the enterprises are concerned, the whole community will benefit.

Q.—There is a very limited amount of credit.

A —A country of any importance has not unlimited credit. But it has an immense amount of credit. It depends upon the rate which you are going to pay for it. Almost any country *can* borrow, say, at 15 per cent But very few countries can borrow at 4 per cent. Ordinarily many countries borrow at 6 or 7 per cent. So it is not justifiable that you should only finance one very limited kind of utility.

Q.—Assuming that it is impossible to benefit every particular section of your community equally by an improvement; if you irrigate the land, the section which, at any rate, directly benefits is a limited section. But still [illegible]

say that in this world you can spread your remissions so extraordinarily widely as to benefit everybody equally.

Sir Percy Thompson. Q.—May I put it slightly differently? Take an irrigation scheme. Your beneficiaries are selected persons. Then, does not the State act as trustee to the general taxpayer and ought it not to charge a monopoly price?

A.—Assuming, of course, that you are not pressing the idea of monopoly price to its ultimate conclusion. That is, not with the idea of getting the maximum net result.

[illegible] from it if he [illegible] tiating the [illegible] from that, [illegible] balancing [illegible] if there is [illegible] t or utility [illegible] ibilities, it is not wise to try and restrict the full use of those possibilities. Therefore, you entirely accept the principle that no charge ought to be made for any service which would restrict its productive use unnecessarily. Agreeing on that principle, then any surplus which is realisable in economic figures is a legitimate fund upon which to levy a special demand.

Q—Take for instance, the case of railways which everybody can use. You would there be justified in charging the bare cost On the other hand, if you select your beneficiaries, you should not charge the bare cost but should take a share of any surplus you create and apply it for the benefit of the whole people.

A.—You can put it in this way. Supposing you are irrigating land. Assume that all the land is uniformly cultivated and the value of irrigation is equal to everybody. Undoubtedly for the moment when you introduce irri gation, this particular section is getting a benefit as against the people i· the unirrigated tract If you charge a rate up to the point at which the supply price of the water is roughly equal to the demand price of the water, the difference tends to disappear The particular section must have a rea· benefit in order to induce them to take water But the competition with regard to the two areas probably means that this area gets no benefit at all. So it produces more and if the water rate is charged at a price at which the supply price is equal to the demand value then it is the whole community which gets the benefit. Then I would avoid the idea of monopoly profit I quite agree that wherever you have a surplus, then it is a justifiable subject of taxation.

The President *Q*—Similarly, is not the State entitled to take, in addition to the charge for the interest on the money invested, something for the natural advantage which exists? If you have land which is so situated in respect of the water level that it will grow wet crops without irrigation at all, you take a share in the produce, and if you have another piece of land which you could irrigate, are you not also entitled to take a share of the surplus?

A—Those natural advantages ought to be lumped together Ordinarily when you talk of surplus you agree that surplus or rent may arise not only from what are called original and indestructible powers of the soil but from situational advantages too

Q—Unless you do this, don't you arrive at a *reductio ad absurdum*, that the area that has the least situational advantage pays the higher rate.

A.—But I think we have got to keep quite clearly distinct two things. One is the supply of services and the other is the surplus income which could be obtained by particular individuals There is no reason to suppose that the supply of service necessarily constitutes a surplus or gives surplus in using. If you take the charges which you are justified in levying on the land, there the whole basis and the justification of it is that the land is a factor in production which has important differential values and forces upon the possessor an unearned or surplus income

Q—Would you not apply that to facilities for irrigation?

A—That is just the point that I was discussing Where there is a surplus, I entirely agree that it is right to tax it. But when you come back to the supply of utilities on a basis of a possible monopoly, you may fix your profit at a monopoly rate For instance, in some towns you have electric lights and other forms of convenience and you might carry the principle of equality to such an extent as to compensate those who use kerosene lights by reducing their other taxes That is a defensible argument in theory perhaps

Q—May we apply this to the water rates which is a very practical case? You say you are entitled to take a share of the surplus What share?

A—There you get into a dangerous subject which includes a number of other considerations First of all you have to come back, I suppose, to the fundamental question whether the demands of the State are to be limited by the requirements of the State I have heard some people arguing that it is one of the objects of the tax system to compensate for inequalities of distribution of wealth but that is rather regarded as an advanced socialistic doctrine, and ordinarily the object is to get in the best way possible only such an amount of wealth as would be required for your State services, and I have no hesitation in saying that the whole revenue should be obtained from the surplus income as far as possible.

Q.—I think that irrigation enterprises should be treated as a whole from two points of view: firstly by increase in production and secondly by equalising situational advantages. If you limit yourself to the schemes that pay you limit your irrigation very largely or else you make the general tax-payer pay for the select beneficiaries. If on the other hand you treat the irrigation enterprises as a whole, you let the people having the situational advantage pay for the people who have not the advantage.

A.—It seems to me that it is not sound transferring profits from commercially sound enterprises to commercially unsound ones, except on the well known principles connected with irrigation that protective works are negatively profitable, *i.e.*, by losing two or three lakhs on irrigation, you can save all the trouble, worry and expense connected with famines.

Q.—If you can secure that money from works that have a situational advantage, is it not a fair thing to do so?

A.—That is to say, it merely comes back to this; that you are not taking from the surplus irrigation schemes for the purpose of bolstering up unprofitable irrigation schemes as such. But you are only using your revenue where the unprofitable irrigation schemes are rendered profitable by being alternatives to the necessary expenditure on famine relief. That is to say, it is an insurance fund.

Q.—Is it not legitimate that you should say that the selected beneficiaries should preferably pay for the less favourable schemes?

A.—But I do not want to feel that there is any logical connection between the amount of surplus which you can get from your profitable schemes and what you should or may pay on the unprofitable. Because, I think, quite apart from any profit from irrigation schemes, if you have got a means of preventing heavy expenditure for famines, then you should take it.

Q.—If your profits go to the general pool, as long as there are other demands you won't get money for your protective works. On the other hand if the profits are kept in the irrigation fund we can do more towards the protective works.

A.—That seems to be a doubtful proposition. It may work either way. In the past the State has found it desirable to set aside so much for irrigation expenditure quite apart from new irrigation works and profits. At the present moment the irrigation profit in some directions is very large.

Q.—You would not like to impose crop rates?

A.—As the measure of water used? If so, yes.

Q.—Is it not a right way of taking the surplus?

A.—I do not see how it follow. It does not follow that a man's profit is much bigger simply because he grows sugarcane instead of millet.

Sir Percy Thompson. *Q*.—It is postulated that sugarcane is a more profitable crop.

A.—I do not want to deny that. But at present there is a high duty on sugar. The last few years have been a bumper period in sugar because of the stimulation of improved methods and the higher prices of beet sugar.

Q.—Has not rotation a considerable bearing on the matter?

A.—It is well-known that sugarcane exhausts land. But what I am stating is this. If you differentiate your water charge according to the value or the market price of your produce you are likely to restrain a person from growing a valuable crop up to the full extent of the marginal profit. I see no reason why you should discriminate against the more valuable crop in that way. If you think a more valuable crop is by hypothesis a more profitable crop and therefore you can charge a higher rate without checking production, I am prepared to agree. But I do not think it is so. Sugarcane is very profitable for a year or two.

The President. *Q*.—If a man can grow an exhausting crop only once in a period, is it not better for him to pay a high rate for the period than to pay a flat rate every year?

A.—Assuming that there is no element of differentiation relative to the difference in quantity of water consumed, I do not see there is any reason. It is suggested, I think in the Punjab, that it is convenient to get money out of a man when he is financially prosperous and when he has got money in hand.

Q.—I think an exhausting crop takes much more water. If more water is consumed he should pay more

A.—I think that is not the point of dispute. I have already agreed to that Where a higher price is charged for the larger quantity of water it is all right But if you assume there is more profit, I do not think it is so in the long run. Neither do I see why he should have more money to spare simply because he grows a valuable crop

Q.—If he leaves the land fallow in the alternative year, would you charge him an equal sum in that year?

A.—Is he using water at all in that year?

Q.—Supposing for the sake of argument, it takes two years to grow sugarcane and a man takes water for one year and does not want water the next year do you assume that he is bound to pay for water the next year?

A.—I entirely agree that the water rate should be levied when it is found convenient for him to pay It is quite different to say that you should charge more for growing a profitable crop. To collect two years' rates in one year may be convenient.

Q.—In regard to purely protective works ought you pitch the water rate as high as you can without taking the quantity of water used into consideration?

A.—You should attempt to estimate the increase of value conferred by your water and charge what the man can afford to pay.

Q.—Is he not benefited directly at the expense of the general tax-payer?

A.—Yes I think there is a limit The limit is one which I have already suggested. Where you have got an unproductive work the social justification for your loss is that it is alternative to some other undesirable kind of loss like famine whereby you will be put to greater loss

Q.—Is it not your duty to charge the general tax-payer the lowest possible sum on the account?

A.—Supposing a tract is liable and constantly subjected to scarcity once in five years and supposing by experience it is found that you have to spend so much by way of famine relief because the people concerned are not able adequately to finance themselves, if you can prevent that expenditure by constructing an unproductive work it is well and good. I would not say that you should reduce the charge to an indefinitely low point as to make water almost free

Q.—You say the rules of suspension are applied not to individuals but vary with the areas

A.—I understand that that is the case according to the rules that I have seen Of course I am not fully acquainted with the rules in the different provinces I know the rules issued by the Government of India governing suspensions and remissions, and there you are specifically enjoined not to give suspensions to individual cases

Q.—Is it not rather like this? You have to get the sanction for remission in a definite area. Having got that, you then give it to the individual.

A.—I thought it was forbidden I thought that the idea was that it would possibly encourage all sorts of unfairness.

Q.—You would give the remission to every crop in an area whether you have a yield or not?

A.—That is what I understood

Q.—What is your opinion on the attempt we are making to compare the pitch of assessment in different provinces? The only scheme we have arrived at is to ask the Local Governments to work out as many samples as they can

of actual leases or sales to find out the economic rent. They will then take the assessment for the same area and work out the proportion. Can you suggest any improvement on that?

A.—If the object is to compare the existing similarities I think it would be a fair method. I would only suggest that a rate of tax which may be necessary and desirable in one part may not be so in another. Suppose you have a very sparsely populated province with wide areas favourable for cultivation, in some ways it would be impossible to raise as much net profit from a given area as you can from a tract which is fully populated. You charge your rent or land revenue according to the existing profits of cultivation. *Now in another province you have got a densely populated tract where the* population is so much attached to the land that the normal average holding is only three or four acres The cultivator has got to make enough profit per acre to cover his family expenses What you should try to aim at is that form of cultivation which gives most profit per acre relative to the methods of cultivation. So that when you talk about land revenue being high or land revenue being low I think you have got to understand generally that it is relative to the existing circumstances. But those circumstances may not always be desirable.

Q—Is there not a compensating factor, the greater the pressure of the people, higher the rent?

A—The dictum—the greater the pressure on land, the higher the rent—does not seem to me necessarily to be true.

Q—There will be more competition for the land.

A.—I do not think so, in one sense there would be less

Q.—Is it not actually the fact that in the thickly populated districts you have got high rents and in the thinly populated districts you have got more competition for cultivators than for rents.

A.—That is probably the case. But what I mean is this. Competition for the land means that the area is densely populated, which again means [illegible] you create a vacuum [illegible]

above that point.

Sir Percy Thompson. *Q.*—If you have got uneconomic holdings side by side with economic ones, won't you get tenants coming to the landlords and offering bigger rents for additional land?

A.—That would be the tendency if you had a country with perfectly free competition and enterprising spirit. There are always the prosperous cultivators who wish to add a little bit to their land and are waiting for opportunities to buy. I do not think it works very freely because of the restrictions on the transfer of land.

Q.—Given that the holdings are uneconomic, there is a limit beyond which they cannot go.

A.—Yes.

The President. *Q.*—You say that the plan which we are pursuing would not be a fair guide to ascertain the comparative pitch of the assessment in different provinces. Suppose "y" represents in each case a unit, "x" the assessment on the unit, then $\frac{x}{y}$ would be the pitch of the assessment from province to province?

A.—I do not say that that figure will not give you what you want.

Q.—Does it need to be moderated with reference to population or any other consideration?

A.—I think you can only measure the comparative assessments in different provinces by taking into account three things: first, the gross produce, then the marginal expenses of production (which would give you the surplus) and

thirdly, the relation between the actual revenue and the surplus. That seems to me to be the correct method.

Q.—Would not the surplus be represented most readily by the actual rents paid in competition?

A.—No, it would represent only to a very vague, and not necessarily very accurate, extent. It seems to me that competition will show all sorts of local variations; it would not be a very close index.

Q.—Can't you take the gross produce and marginal expenses of production?

A.—If you take that, you would be eliminating the question of the actual holding which the individual farmer or cultivator has.

Q.—Do you refer to the gross produce of the whole province?

A.—You must take a unit of land and take the gross produce per acre.

Q.—How are you going to arrive at any general figure to represent either the gross produce or cost of cultivation?

A.—But your general figure is to be based on outturn or crop cutting experiments.

Q.—Because of the extraordinary unreliability of all these statistics, the only thing that seems likely to give any sort of actual figure is the actual rate at which land is rented

A.—That is partly vitiated by the population question. I think you will then find that each small area which is heavily populated would be saddled with the expense of maintaining a family while in thinly populated tracts these expenses would be distributed over a larger area.

Sir Percy Thompson. *Q.*—But in the case of uneconomic holdings, should you not take only the cost of such labour as is necessary?

A.—That is what I mean Suppose your method of cultivation is one in which a normal working family can do the whole work with a little additional labour from somewhere else What you want to get is that the area in which that family spends its labour should be sufficient to absorb the whole of the family labour You can then say that the cost of maintaining that family is part of the expense of cultivating that land. If you take a family who are just able to live, it is not accurate to say that the pitch of the rent is high.

The President. *Q.*—You say, "to reduce land revenue to the level of the capacity to pay in the case of occupants of uneconomic holdings is to connive at the multiplication of a large population at a low level of subsistence."

A.—That is the same idea again

Q.—Supposing you had a clean sheet to write upon, how would you levy a land tax in this country? Would you follow the Australian or New Zealand plan?

A.—I think theoretically there is only one justifiable method of taking land revenue, and that is to estimate what I call the long-period surplus. *Since profits and income from land are so fluctuating, you must make full* allowance for this fluctuation and have a mode of collection which is also elastic My feeling about the present land revenue is that it is often administered in a way which has no real justification at all, that is to say, there is no proper relation between the land revenue charged in one year and another. It is all very largely based upon exigencies of local circumstances

Q.—Why do you want to take the long-period surplus? Do you want to give remissions?

A.—If you take the long period surplus, you can have a perfectly rigid collection year by year If the State by a more elastic method of collection can make up the deficiencies of the cultivator, it would lighten the charge.

Q.—The conclusion of that is that you want to tax income.

A.—A tax on income is a different idea Of course, land revenue is a tax on income in one sense. The only question is. what is to be your basis?

I take it that the general theory about land revenue is that it is meant to be a tax on surplus, not on marginal profits.

Q.—Is not that combined with the idea that the man who holds the land is bound to produce in the interests of the community?

A.—Probably. At any rate, that justification is found in the old pre-British books dealing with land revenue. There was a dual obligation, the obligation of the ruler to protect and of the cultivator to produce.

Q.—I am taking that from the latest New Zealand Commission. The justification for a flat rate there without regard to the seasons is that the holder of the land who has common property is bound to produce in the interests of the community, if he chooses not to produce, he has to pay just the same.

A.—That would mean that you want to penalize inefficiency.

Q.—And the keeping of large areas of land for pleasure purposes.

A.—The difficulty here again is whether you should use the tax system to equalize income.

Q.—That raises the question of graduation which the New Zealand Commission have recommended to be stopped. But they take a flat rate on capital value

A.—I have not read their report, why do they object to graduation?

Q.—The purpose of graduation in case of land tax is different from that in the case of income-tax. They say that any further graduation would check

A.—It seems to be largely a difference in machinery.

Q.—The difference is that anybody can know from year to year the rate of land revenue. You can't say what percentage is taken in land revenue on any piece of land, whether it is taken on its annual value or on its capital value?

A.—At least you can make calculations, they may not be quite correct. It seems to me that the Australian method implies what you might have here with a very efficient Settlement Department. It implies very frequent revisions and it implies the possibility of accurate valuation. I understand that one difficulty as regards land revenue administration in this country is the difficulty of accurate valuation.

Q.—Supposing your settlement, instead of being a settlement, were a valuation?

A.—It is already a valuation.

Q.—When the valuation so called is finished, the rate depends on a whole lot of varying circumstances, such as the nature of the tenure, the idiosyncracies of the Settlement Officer, the idiosyncracies of Government, and so forth.

A.—What you would have would be a uniform percentage of the value, i.e., provided you get your valuation correctly, everything else would follow uniformly everywhere. Then, how would you value according to produce?

Q.—Simply proceed on the same process as is done at present.

A.—Then you get large measure of disregard for individual circumstances.

Q.—You point out that in Bengal it is not uncommon for a judge to take into account in determining a suit for enhancement the size of the cultivator's family.

A.—Yes.

Q.—Actually in the United Provinces they take the caste of the cultivator into account. The land may change hands the day after the Settlement.

A.—It is found in this province too.

Q.—You say that within the term of a settlement facilities are given for modifying the rent or the land revenue on account of price changes. Where is that done?

A.—It is done by the ordinary process of enhancement or, if the prices have fallen, presumably by a reduction of rents on account of changes in prices.

Q.—In the raiyatwari areas there is no provision for modification.

A.—I thought there was provision: if not, it is obviously a defect. Suppose you fix your raiyatwari rents and prices fall 50 per cent., obviously there would be great inequality.

Q.—Have you seen Professor Myles' graphs. He deduces the fact (from a study of prices and of settlement) that the settlements have not gone up with the prices at all.

A.—I have not seen his papers, but I quite agree with the idea.

Sir Percy Thompson. *Q.*—We have been told that in the Orissa resettlement rents calculated on the annual value have gone up ten annas in the rupee, since the last Settlement.

A.—I think very rightly.

Q.—What they say is that they cannot take 10 annas all at once.

A.—That is what they are doing in Orissa.

The President. *Q.*—Estimates of national income. Sir David Barbour made his estimate as a rough index of the incidence of taxation. Would it be correct to apply his estimate to the present day conditions?

A.—I imagine his estimate was made on such extraordinarily imperfect data that it would not apply to the present conditions.

Q.—You say also that you would not accept Mr. Findlay Shirras' comparison.

A.—Yes.

Q.—Is there any way of making a comparison that does allow for prices?

A.—There would be, if you could assume that the data on which he estimated his income were reasonably correct.

Q.—Would it be of any use to take Sir David Barbour's method of calculation and repeat it for a ten-year period in order to get the relative incidence of taxation?

A.—No; I do not think you will be able to know exactly how much Barbour left out.

Q.—You do not think it is any good?

A.—No.

Sir Percy Thompson. *Q.*—Your view is that there is no ground at all for exempting agricultural incomes from income-tax.

A.—Absolutely none.

Q.—Assuming theoretically that there is justification for taxing agricultural profits, you would admit that the question of convenience and yield comes in.

A.—Certainly.

Q.—We were told that in the Punjab out of 3½ million cultivators only 2,300 would be liable to income-tax at the present limits. Do you think there is any justification for charging rents, but not charging cultivators' profits, apart from the ground of convenience in collection?

A.—Rent is likely to be an economic surplus, whereas profit is not.

Q.—Is there not a large element of rent in the raiyat's profit?

A.—I should say not a great deal, because the raiyat's opportunity for enjoying a rent is likely to be destroyed in two ways. Outside the raiyatwari areas and to some extent inside the raiyatwari areas, by the charging of competitive rents, people who have the holding of the land are letting it to

sub-tenants; so that to some extent the economic surplus is drained away from the actual cultivator.

The President. Q.—Have you any views on taxation on minerals?

A.—A few general ideas: yes.

Q.—Can you give us any theory on which royalty should be based?

A.—I think that ought to be based on the differential value and to some extent on the capital value. The distinctive feature of royalty is that it constitutes two elements. One is that it is a small portion of your capital and the other is the differential element. If you have a coal deposit and you work out, you find one kind of coal better than the other. But apart from that the whole coal has a capital value.

Q.—Would you, in the case of a Government mine, combine the flat rate on the quantity removed with the differential rate on profits above a certain fixed sum?

A.—Personally I do not like the idea of a differential rate on profit; because the difficulty there seems to be that you are going to restrict the enterprise and profit is by no means very accurately the indication of the differential value of the coal which is being mined by a particular firm.

Q.—But is there any other indication?

A.—Could you have the valuation of the coal just as the valuation of land? Say, here is so much coal of quality A, here is so much of quality B and so on.

Q.—Would it not come to the same thing?

A.—No I do not think it would come to the same thing. Because it would be a tax on that part of the profit which would be due not to the natural superior quality of the coal but due to the superior management. Supposing a man can make 20 per cent profit and that is due to the genius of the managing director. Why should you penalise him? If in the natural course of events, he gets a better kind of coal, then you can take something.

Mr. J. R. DAIN, I.C.S., M. L. C., Secretary to the Government of Bihar and Orissa, Revenue Department, was next examined.

Written memorandum of Mr. Dain.

Q. 96.—The question whether land revenue is a rent or a tax seems hardly worth arguing from a practical point of view. Those who regard it as a tax argue somewhat in this way—

(a) In raiyatwari tracts it is *a true rent*, settled under the tenancy laws in the same manner as the rents of landlords.

(b) In temporarily-settled areas it is a *share of the landlord's rents.* The raiyat's rents are settled first and then the total rental is divided between the proprietor and Government.

(c) When we come to permanently-settled areas, he would still call it a rent because there is *quid pro quo, i.e.*, the landlord pays it in return for his enjoyment of his estate.

We may regard the land tax as arising from the ultimate State ownership of the land, and as the charge made for the use and enjoyment of it. In that case it is a rent. On the other hand, it may be regarded historically as the outcome of the State's demand for a share in the produce of the land, in which case it is more rightly regarded as a tax. In the permanently-settled areas, the State has translated its share into money and fixed it for ever. In the permanently-settled areas it is still a *share* of the produce of the land, *i.e.*, it was fixed at a certain percentage of the total rent.

The issue seems really whether the claim of the State arises from its ownership of land or from its right to levy a contribution on private property for its own needs. A somewhat curious parallel can be found in Roman history.

When Rome obtained a footing in Sicily, she found in force a system of tithes which was maintained. This was associated by lawyers with the system of *vectigal* or revenue paid in Italy for the use of public land From this a theory was evolved that the land in provinces in which the system was in force was "owned" by the State and only "possessed" by its occupants. It would not be uninteresting to pursue the parallel It is quite possible that the theory of the State's ownership of land in India has similarly grown out of the claim of the State to a share in the produce, and is a later effort to fit theory to facts. In any case the land revenue is a share of the produce, sanctioned by custom, and it makes no difference to the nature of the claim whether it is regarded as arising out of ownership or out of the right of the State to levy a contribution on private property for its own needs. It is sufficient for our purpose that when taken directly from the occupants of the soil it is subject in every way to the rent law, when taken in temporarily-settled estates it is ultimately based on the rents which are shared between the zamindar and the State, in permanently-settled estates the position is so anomalous as to defy theoretical justification

Q 97.—In replying to this question, we should again exclude the permanently-settled areas The incidence is so unequal from estate to estate that no inference can be drawn from it, but it is generally so light as to be a negligible factor In temporarily-settled estates the tenancy laws intervene between the cultivator and the tax, in raiyatwari areas the revenue is governed by the tenancy laws, which keep the rent well below the economic rent. Between the land revenue regarded as a tax and the actual cultivator there is a barrier of tenancy legislation The cultivator would presumably in any case pay a rent, the only result of the intervention by the State is to keep that rent below an economic level It the State took its contribution in any other way than by a share in the produce of the land, it would perhaps not have intervened between landlord and tenant. The whole of the tenancy legislation by which the raiyat is secured and protected has arisen out of the State's demand for its share, and the land tax is therefore a blessing and not an incubus The thing that affects the prosperity of the cultivator is his fecundity He continuously breeds up to the limit which the land will support The fact disclosed in the recent census of Bihar and Orissa, the decrease in population in the river valleys, where the limit has been reached, is an illustration of this

I do not think that the comments are in any way justified.

(*a*) "ability to pay." Rents are settled and revenue assessed after a most searching investigation of the resources

(*b*) A revenue fixed for 25 or 30 years and payable by fixed dates in each year does not seem to lack the element of certainty.

(*c*) Settlement takes place once in a generation. Beyond that the estate either pays its revenue or is automatically sold up. There is less opportunity for petty tyranny in the land revenue system than in any other

(*d*) It is almost impossible to estimate what it does cost to collect the land revenue, because the staff employed is engaged in other duties and would have to be employed for the administration of the country whether the land revenue existed or not. The Board recently worked it out for proprietary areas at 1 57 per cent but omitted a lot of factors. In any case it is certainly not 20 per cent In raiyatwari areas it may be about 10 per cent, including the cost of periodical revision.

Of course, if the Committee propose to regard that portion of the rental intercepted by landlords as part of the cost of collecting the tax, then the cost is enormous.

Q. 99—I do not quite understand the question. It cannot refer to inequality as between tax-payers within the area settled at one settlement; it must refer to inequality between the areas settled at different times Rents can be enhanced on the ground of rise in prices once in fifteen years, while

the State intervenes once in about 30 years to revise its demands There may have been one enhancement between two settlements, though preferably landlords are content to wait for the next revision. But enhancement of rent on the ground of rise in prices is based as far as possible on decennial periods. Even so, the average of the latter periods is reduced by one-third of its excess This must tend to level inequalities I doubt if it is true to say that the land revenue is fixed according to the prices of any particular period. Land revenue is based on the rents, and the rents are fixed to some extent by the average of prices of agricultural produce over long periods But neither this nor any other factor in the fixing of rents has free play. If the question means that because a district is settled in 1925 its revenue is fixed by the prices of 1925, the statement seems incorrect.

Q 100—I should say that Rs 200 was nearer the subsistence level than Rs 2,000 If it were proposed to exempt all cultivators from rent, whose income did not exceed Rs 200 a year, the first process would be to determine the income This would mean determining the gross yield less the cost of cultivation. It would be exceedingly difficult to ascertain this, though no doubt in time certain formulæ based on area, classification of land, etc., would be devised A corollary would seem to be a sliding scale for incomes immediately above the subsistence level and a super-tax on the very large ones If the Rs 2,000 were taken as the subsistence level in the case of the ordinary cultivator and all those whose net incomes were less were to be exempted from rent, I should say that it would mean that 95 per cent of the land would yield no rent Even if the net yield of an acre be taken at Rs. 100, it would take 20 acres to yield Rs 2,000 So large a holding as 20 acres or 30 local bighas (ordinary bigha 62 acre) is exceptional.

No doubt some such low limit would tend to encourage fractionization but most of the existing holdings must already be below the Rs 2,000 limit. The average size of a holding in Bihar is—

	Acres.
Patna	1 96
Gaya	3 6
Shahabad	5 13
Champaran	5 19
Saran	1·41

In some of these there are co-sharers, and the average holding is a long way below the size that would yield Rs 2,000 a year.

Q. 101—I was inclined to doubt whether fractionization was proceeding to any great extent, as the raiyat generally sells or mortgages to a richer neighbour and the result is rather to re-allot the lands among the community than to increase the number of holdings. It is, of course, not merely sale but also the tendency of families to break up that induces fractionization. But the figures of two recent revision settlements do suggest that the process is proceeding rather fast In Saran the average holding is noted 1 41 acres as against 1 82 in the previous settlement and the *raiyati Khatians* have increased by 25 per cent The previous Settlement Report of Champaran does not indicate the size of the holding, but the *raiyati Khatians* have increased from 264,315 to 466,029 I doubt, however, whether any restrictions on transfer, which invariably take the form of a mutation fee, really serve as any check on transfer. No raiyat parts with land until he is compelled to do so; all sales and mortgages are of necessity, and the only result of a mutation fee is to reduce the value of the land to the vendor.

Q 102.—This question hardly affects this province Our irrigation works are on areas already cultivated and for the most part already privately owned. We have nothing in the way of reclamation works.

Q. 103.—The question hardly arises in the permanently-settled area. The urban areas include for the most part lands already within the limits of estates

The Government of India raised the question of the adequate taxation of non-agricultural land in Mr. Gilliat's letter No. 772—255-2 of the 26th

September 1916, and emphasised the necessity of securing an adequate return from non-agricultural lands. The discussion in this province confines itself to the temporarily-settled tracts of Orissa and to Government estates elsewhere Within municipal areas the land revenue of Government-owned lands is included in the ground rents, and on the whole the rents obtained, though perhaps lower than a private landlord would ask, seem adequate

In making over land to municipalities for municipal purposes, the general practice has been to grant it free of revenue where the municipality do not propose to make a profit out of it, but to assess revenue in other cases The Local Government, as a general rule, prefer to make a direct grant-in-aid to a muncipality rather than to assist the municipality by a remission of revenue or by the surrender of rights analogous to those of a private landlord, which is a form of subvention which does not pass through the public accounts.

I think on the whole the surrender of this field of taxation, which means the surrender of provincial funds for local purposes, should not be encouraged.

[illegible] satisfactory,
[illegible] land. But
[illegible]ıld seem the
[illegible]ductivity of
the land and to find the incidence of land revenue on the total rental valuation of each province Fairly reliable figures exist for this purpose in this province. Similar statistics must be available from the revenue records in other provinces and by this means a rough and ready comparison could be made of the proportion of the produce of the soil taken in each province as land tax.

Note on Minerals by Mr. Dain

It has been recognised from the outset that its mineral wealth forms almost the only source from which this province can supplement its exiguous revenues. The possibility of exploiting this source of income was recognised as justifiable and necessary by the Meston Committee, and in the earlier stages the proposals were received without disapproval by the Government of India The suggestion first took concrete form in the shape of a proposal to tax coal, which was eventually dr[illegible]
Governments when consulted by the [illegible]
a committee had been convened acc[illegible]
Council to examine the possibility of [illegible]
of the province and to recommend in what manner the State might benefit from this development. The Mineral Resources Committee concerned themselves mainly with the first part of the resolution, while accepting in principle the proposition that additional taxation on all minerals raised within the province or exported from it was justifiable, should such taxation be necessitated by the condition of the provincial finances. This last is an important reservation, when the coal tax was first proposed, expenditure was actually in excess of revenue, now, though the province is desperately in need of money, the budget is balanced and it is doubtful whether the precedent condition is fulfilled. In addition to a tax on coal, a proposal has been put forward to tax at 6¼ per cent [illegible]

[illegible]

might at the highest rate of iron within the last few years at times have yielded four annas. Within the last few weeks we have had a proposal from the Deputy Commissioner, Hazaribagh, to raise the joint royalty and dead rent on mica leases from Re. 1-8 to something in the neighbourhood of Rs. 5. This proposal has not yet been elaborated, but will be considered as soon as it is. The result of all the proposals to obtain more revenue from minerals

has resulted so far only in the abortive proposal for a coal tax and in the raising of the royalty on iron ore.

2. *Other taxes paid by minerals.*—In addition to rents and royalties paid to the State, minerals at present pay directly or indirectly—

(a) income-tax,

(b) local cess under the Bengal Cess Act, 1880, at 6¼ per cent on net profits,

(c) in the coalfields only, the Board of Health cess at half-an-anna in the rupee, and the water-supply cess at rates varying from ten pies to three annas on tonnage.

The income-tax goes mostly to Central Revenues The Local Government obtain a share of the increment under the Devolution Rules, but this is small. Up to now most of that has gone to Bengal where the metallurgical and mining companies are registered, but recently an arrangement has been reached with Bengal by which this is adjusted The other taxes are for local purposes.

3 These cases may be examined in more detail. As pointed out in the question, revenue is actually derived from three sources—

(i) royalties on minerals which are State property,

(ii) income-tax on royalties collected by private owners,

(iii) income-tax on the profits of companies that work mines

We are asked to examine the possibility of further taxation on minerals or mines

We can divide this into—

(a) increase in royalties,

(b) direct taxation.

4. *Royalties in State-owned property* —The first point to be remembered is that though the development of mineral resources is a provincial subject, it is conducted subject to rigid rules promulgated by the Government of India, with the sanction of the Secretary of State These rules were devised, in the first instance, to protect a nascent industry, and in many respects unduly favour the exploiter at the expense of the owner of the minerals Moreover, the Government of India are extremely jealous of them and suspicious of any attempt to relax or change them The discussions over raising the rate of royalty on iron ore, the manner in which the Government of India retain the uneconomic principle of priority, and their opposition to Burma's proposal to auction some of their oilfields are cases in point. It seems to me that if this Government are to develop their mineral resources and to get a fair return for their own property, the first essential is that they should have a more free hand to deal with the applicants on a business basis. There are now always the mining rules and the Government of India behind them, to prevent free negotiations

5 A corollary to the above, however, is that if we are to deal with the prospector and exploiter in the open market, we must have the expert knowledge, and unfortunately we lack that. If, for instance, a firm tells us that at a royalty of 4 annas a ton they cannot produce pig-iron at a profit, we know that it is incorrect, but have not the knowledge to say so confidently. It is true that we can apply to the Geological Department of the Government of Indi[illegible] al industry [illegible] Government [illegible] We do real[illegible] ning our contracts, but at present we are unable to afford a development bureau, and therefore it seems useless to worry about it.

6. The next point is, do we get from our own property anything like what we could get without injuring the progress of development in any way? I very much doubt it. We take nothing like the big *salamis* or the rates of royalty which private owners take. There is no competition as yet to fix an

economic royalty, and we have not the knowledge to drive a bargain. Even if we had, there are always the mining rules.

7. Our current demand for State-owned minerals for the last three years is as follows:—

	Licenses	Leases
1921-22	8,277	1,28,201
1922-23 . .	2,079	1,38,870
1923-24	750	1,60,748

Considering our great wealth in State-owned minerals, this is very small.

8. *Taxation of minerals not owned by the State.*—The question of State-ownership of all minerals is hardly a practical point for consideration at this stage. We must proceed on the assumption that minerals in private estates are not the property of Government and can only be taxed by special legislation for provincial purposes.

9. *The coal tax.*—The Government of India refused their sanction to this on account of the opposition of the Local Governments. This proposal was accepted by—

(i) the United Provinces,

(ii) Bengal, provided that it was regarded as a temporary measure pending the revision of the provincial settlement,

(iii) Bombay,

(iv) Assam, who wanted to impose a similar tax themselves.

It was opposed by—

(i) the Punjab,

(ii) Madras,

(iii) the Central Provinces.

The line of opposition dealt mainly with the effect on industry in general, and the objection that it would mean that the whole of India was contributing to provincial revenues. In the Local Government's last reference on the subject it is stated that the matter is only dropped temporarily owing to the improved condition of the provincial finances and will probably be raised again in the near future.

10. As regards the nature of [illegible]
from the note of the Proceedin[illegible]
February 1922 (*vide* Appendix) [illegible]
ways and metallurgical industri[illegible]
Mr. Madan's objection loses weight. The Indian Mining Federation urged remission in the case of cheaper coals. The tax at no time was expected to produce more than 27 lakhs and was, therefore, a comparatively small matter, regarded from the point of view of India as a whole.

11. As regards a tax on other minerals, the discussion shows that it might amount to 2¼ lakhs. But the proposals were not pursued. A tax on coal would mean in many cases a tax on the users of the metals, while in any case a tax on other minerals would be expensive to collect.

12. The net result seems to be that though we may, in the future, get more than we do out of minerals owned by the State, yet royalties on these are never likely to yield a very large revenue. If our minerals are to yield a substantial income, it must be through direct taxation of the property of others. In the case of coal only is there a basis for a tax that can [illegible]

APPENDIX.

Proceedings of the Conference in Calcutta on the 10th February 1922.

The Hon'ble Mr. McPherson opened the discusson by reading a note (which was circulated to all the members of the Conference) explaining the present financial position of Bihar and Orissa and the provisional proposals for taxation upon coal. He referred to the probability of the present surcharge upon the freight of coal imposed by the Government of India being removed upon a revision of the rates of freight from the beginning of 1922-23. He pointed out that the Coalfields Committee recommending on the conservation of coal resources of India in 1920 saw no objection to imposing a cess of 8 annas per ton on all coal produced in or imported into India in order to pay the cost of sand-stowing in selected collieries and observed that the modest proposal of the Local Government to tax coal at the rate of 4 annas per ton could do no harm to the coal industry in view of the large increase in the price of coal for contracts from 1922—25. The Government proposal, he observed, was to collect this tax through the railways with the freight, this method being the most convenient for all parties and also the most economical.

2. The Hon'ble Mr Kerr explained the attitude of the Bengal Government towards this proposal. The Bengal Government had not the same urgent necessity for this tax which existed in Bihar and Orissa and already had three taxation Bills before their Legislative Council The proposed tax would [illegible] Bengal Government which would be very wel- [illegible] the Jharia coal- [illegible] tter would other- [illegible] coal. He considered that there might be opposition in Bengal in regard to coal required for domestic consumption, and that the Legislative Council already having three taxation Bills under consideration might disapprove of another.

3. Mr Colvin opposed the principle of the scheme as regards his railway that owns its own collieries. He pointed out that even with a tax of 4 annas a ton (and there was no guarantee that this figure would not subsequently be raised) the East Indian Railway would have to make a direct contribution of about 3 lakhs yearly to the Bihar and Orissa Government, and he apprehended that if the Bihar and Orissa Government were allowed to increase their resources at the expense of the Railway, other provinces would not be slow in finding ways in which they could also secure a part of the Railway earnings, and he, therefore, feared that the amount payable by Railways might not end with a charge on the tonnage of coal consumed by them. The [illegible]

on behalf of Government, he was not prepared to give any opinion immediately, particularly as Mr. Carroll of the Bengal-Nagpur Railway foresaw difficulties.

[illegible]

5 Mr. Pattinson had consulted the Indian Mining Association and explained their objections. He pointed out that the proposal meant that one province would be taxing the rest of India. He admitted that the inclusion in the Bill of a limit upon the amount of the proposed taxation would go

some way to meet the objections of the Indian Mining Association. As long as the price of coal remained above Rs. 5 a ton, the tax of 4 annas will not substantially affect the coal industry and prices, as secured up to 1925, would [illegible]

6. Babu W. C Banerji, M L C, urged that the coal trade could not stand the tax of [illegible]
ration to s[illegible]
He feared [illegible]
working th[illegible]
lieries in J[illegible]
India woul[illegible]
cularly that no tax should be levied on soft coke for domestic consumption. He pointed out that though 4 annas might seem small the amount passed on to the consumer ultimately was likely to be at least doubled The Mining Federation, he said, would not object to such a charge if it were earmarked for providing more wagons and sidings

7 Mr Charters pointed out that the metallurgical industry would be most hard hit, as the tax would add about 8 annas a ton to the cost of producing pig-iron and about Re 1 in the case of steel. He pressed parti-[illegible]
[illegible]d it should not be in-
[illegible] shy of putting their
[illegible]ty of the price of coal

8 Mr. Madan on behalf of Tata's Iron and Steel Company, pointed out that the steel industry would be affected more than the industries producing only pig-iron, as it took at least 4 tons of coal in the furnace to produce one ton of finished steel. If the steel industry was to be taxed in this way, it ought to be protected from foreign competition by a larger import duty on foreign steel. Steel was now only just above pre-war prices and might decline further He admitted that Tatas were now paying Rs. 7 a ton for coal and the price was to rise annas 12 per ton each year for the next three years He said that the Government of Bihar and Orissa had argued before the Fiscal Commission in favour of protecting the steel industry, and if the cost of production were now increased the claim to protection becomes stronger He urged that a provision should be included in the Bill giving the Governor in Council power to take into consideration with a view to complete or partial exemption the case of industries or local bodies adversely affected by the tax

9 Mr. Whitworth said he had no time to receive instructions from the Railway Board, but he thought that the Board would be opposed to the tax, as the charge will have to come out of railway profits or be passed on in the form of increased freights. Welsh coal at the moment could be purchased at a cheaper rate than the best Bengal coal at Bombay and Karachi—irrespective of quality which is about as 3 is to 5 in favour of Welsh—and a tax of even 4 annas per ton would give the foreign coal a further advantage. The Bengal coal trade has already lost the Bombay market and every anna put on the price of Indian coal will increase the difficulty of regaining it.

10. Mr Palister Young objected to the principle of this tax. In order to keep the railways on a paying basis, it might be necessary in future to increase the freights and any charge affecting the price of coal might make it difficult for the railways to increase the freight rates without decreasing the quantity carried. He also opposed the collection of taxes by the railways as it involved practical difficulties in the Audit Department.

11. The Hon'ble Mr. McPherson thanked the members of the Conference for attending and undertook that the views expressed in the discussion would be represented when the question was referred to the Government of India.

Mr. Dain gave oral evidence as follows :—

The President. Q.—You state that the question whether land revenue is a rent or a tax seems hardly worth arguing from a practical point of view; in raiyatwari tracts it is a true rent?

A.—Yes.

Q.—In raiyatwari tracts a true rent is settled under the tenancy laws in the same manner as the rents of landlords are settled?

A.—That is so.

Q.—There is no tenancy law in the raiyatwari area.

A.—It is subject to the Bengal Tenancy Act or other local Tenancy Act.

Q.—There are no tenancy laws in Madras and Bombay.

A.—By raiyatwari area, I meant those portions of the province in which we settle direct with the cultivators.

Q.—That is *khas mahals*, where Government is the landlord.

A.—Yes.

Sir Percy Thompson. Q.—Suppose you get two similar pieces of land, one which is zamindari land on which you fix a rent of Rs. 100 and you take Rs. 50 as revenue from the landlord, and the other a piece of land, on which you get from the raiyat Rs 100, would you not be better off in the latter case?

A.—Yes

The President Q.—We have just been told by Mr. Foley that actually the rents you take are very much below the economic rents

A.—That would be so.

Q.—Why do you take a lower rent than any other landlord would?

A.—I do not think we take a lower rent than any other landlord would, because other landlords are equally limited by the Tenancy Act When we re-settle a rent, we enhance it to a certain extent, but those enhancements are limited by all kinds of restrictions.

Q.—Economically, is that a good thing?

A.—You allude to the theory that the higher the rent, the better is the cultivation

Q.—I do not know if you have read Calvert's book—" Wealth and Welfare of the Punjab "

A.—No, I have not.

Sir Percy Thompson. Q.—You are having a resettlement in Orissa now?

A.—Yes.

Q.—You have come to the conclusion that rents might be raised by 10 annas in the rupee?

A.—Yes.

Q.—But you are in fact raising them only by 4.

A.—That is so.

Q.—Why?

A.—The principle has been followed of dealing with raiyats as leniently as possible.

Q.—If it is justifiable to raise the rent by 10 annas, why not raise it at once?

A.—Where a man has been paying the old rate for 30 years, to raise it by 10 annas in the rupee suddenly would be a very big jump.

Q.—Here the principle is that if a man has been paying too little in the past, he must pay too little in the future.

A.—The cultivator has enjoyed the natural increment for thirty years; his standard of living is raised, and if the full enhancement is taken from him at once, it would mean a very sudden depression in his standard of living

The President. Q.—From the State's point of view, does not that argument suggest that you ought to revise the rents much more frequently?

A.—Possibly it does; but it will be too expensive to start with.

Q.—Couldn't you have a sliding scale depending on prices?

A.—I should think there would be great practical difficulty in working it.

Sir Percy Thompson. Q.—You might have your settlement once in thirty years and each year have an index number and charge land revenue on that.

A.—Are we considering the case where land revenue is taken directly from the cultivator or the case where it is from the zamindar?

The President. Q.—Here the Government place themselves under their own tenancy laws deliberately. The Collector becomes a zamindar under the tenancy law. It seems an unnecessary complication.

A.—I do not think we could have a separate tenancy law for Government estates and private estates.

Q.—Surely the whole tenancy law is the outcome of the permanent settlement.

A.—Yes.

Q.—These arbitrary restrictions were put on to check bad landlords? *Primâ facie*, Government are not expected to be bad landlords.

A.—I do not think it would be possible for Government to shake themselves free from the restrictions which they have imposed upon other landlords even if it were desirable.

Q.—Actually, how many settlement systems have you in the province?

A.—We have a permanently-settled area, temporarily-settled area, *khas mahals*, and we have a special tenancy law in Sambalpur.

Q.—The temporarily-settled area is Orissa?

A.—Yes.

Q.—When a permanently-settled estate ceases to be permanently-settled and for some reason or other, it becomes Government property, why should not you apply the temporary settlement to that?

A.—When a landlord is not able to pay his revenue, his estate is sold, and somebody buys it. The State cannot take it back unless there is no bidder.

Q.—Why should you not buy when you can? I can understand the objection to buy from the landlord; that might be financially difficult and objected to as a breach of the permanent settlement. But when the land is being actually sold in public auction, why do you perpetuate the permanent settlement which is admitted to be an evil?

A.—I think I am right in saying that there is no provision in law which allows Government to buy when there is a bidder for it. I have very rarely known any estate worth anything come to sale.

Sir Percy Thompson. Q.—If it is worth anything, the zamindar would not let it go?

A.—Or, there would be some one else to bid for it.

The President. Q.—But Government could surely outbid him and so recover a source of expanding revenue.

A.—That to my knowledge has never been done, and I do not think the law provides for Government to buy in, except when there is no bid of the amount of the arrears for which the estate is put to sale.

Q.—You estimate the cost of collection of land revenue for proprietary areas at 1·57 per cent, which you say is based on the Board's figures, but the Board gave us the figure of ·72.

A.—I think the probable explanation for this is that the Board have revised the figure. I prepared my note for the Taxation Committee when I received the other questionnaire about four or five months ago and I made my calculations from the figures which I obtained from the Board.

Q.—You say that for raiyatwati areas the figure may be about 10 per cent; have you got any details?

A.—No

Q.—You say you do not understand the question regarding inequality. That refers to raiyatwari areas where the settlement is made on a commutation rate based on the prices of the last twenty non-famine years. If you take 20 years previous to the War and the year after the War, you would have a very different computation.

A.—That is so

Q.—In your reply to question No. 101, you say: "In Saran the average holding is noted as 1·41 acres as against 1·82 in the previous settlement and the *raiyati khatians* have increased by 25 per cent ". What is a *raiyati khatian*?

A.—It is the schedule of a raiyat's land and rent given to him in the course of a settlement.

Q.—What do you mean by saying that the *raiyati khatians* have increased by 25 per cent?

A.—That means the number of separate *raiyati khatians* in the record-of-rights The record-of-rights contains a record of landlords' rights called the *khewat*, and the record of tenants' rights or the *khatian*. The number of *raiyati khatians* will increase as the number of separate holdings increases

Q.—In question No 103, you refer to Mr. Gilliat's letter of 26th September 1916; could you let us have a copy of it?

A.—I have not got it here, but I can find it for you.

Q.—Were you able to suggest to the Government of India any way of getting a better return from non-agricultural land?

A.—I do not think we get a bad return

Q.—You are referring only to Government lands?

A.—I am referring to Government *khas mahals* within municipal areas.

Sir Percy Thompson. *Q.*—In your view, are you precluded from charging anything more by the terms of the permanent settlement?

A.—If land within the town is also within the boundaries of a permanently-settled estate, we are so precluded.

The President. *Q.*—The permanent settlement is not confined to agricultural land?

A.—I should think that in most towns lands within a municipality would also be within the boundaries of permanently-settled estates

Sir Percy Thompson. *Q.*—If you have a new town springing up in the middle of a permanently-settled estate, the landlord would get more advantage than in other provinces, simply owing to the permanent settlement

A.—Yes.

The President. *Q.*—How do you arrive at the ground rent? The rules in force in Madras are that you ascertain as nearly as you can the full competitive rent. Then you sell the land by auction, subject to an annual payment, which is something less than the competitive rent.

A.—We do that here occasionally.

Q.—You refer us under minerals to the report of the Mineral Resources Committee. One of their functions was to go into the question of finance?

A.—Yes.

(The witness handed over a copy of the Report to the Committee.)

Q.—Was it not as a result of that Committee that this proposal was made for the levy of 4 annas on coal?

A.—No: the proposal was prior to that. It must have been made sometime in 1921. At that time I was not in India. The Mineral Resources Committee met in the early part of 1922 The coal-tax was indirectly among the matters referred to the Committee.

Q—It would have been open to the Government if it could have got the Secretary of State to agree, to increase the royalty so far as the Government lands are concerned?

A—Yes. Under the Devolution Rules the development of mineral resources is provincial, subject to any rules made or sanctioned by the Secretary of State, so that we could not have increased the royalty without the Secretary of State's sanction.

Q—Must not those rules be rules relating to the development of minerals?

A—Yes.

Q—And do you include taxation of minerals as coming under that head of development of minerals?

A—I had not thought of that aspect of the matter

Q.—Could you not put a tax on land which is used for purposes other than agricultural without the sanction of anybody?

A.—The lands where minerals are found are largely Government property and there seems no point in Government levying a tax on their own lands. If such a tax is included in the Scheduled Taxes Rules, the local legislature could no doubt sanction it, but it would be extremely difficult to do so in the permanently-settled area

Q—Would it be practicable to suggest a tax on the unearned increment which goes to the private owner in the shape of royalty?

A.—Without a conflict with the terms of the permanent settlement?

Q.—Yes

A.—There is already local cess on mining royalties.

Q—Would it not be better to replace that cess by a general tax, say, on mining royalties payable to the zamindar, as in England.

A—In this country the zamindar pays local cess on mining royalties, though no part of that comes to the Government. At one time half the cesses were paid to provincial revenues, but I think the theory even then was that they were used in the locality, and I doubt whether it is possible to put further general taxation on land

Q—Mr. Scott has suggested that it would be better to get rid of those taxes and to have a mining fund.

A.—That means depriving the local bodies of their income.

Q.—They will be given some subsidies. Put the whole thing into a fund and distribute it in three parts, partly for the expert staff appointed by the Government of India, partly for provincial purposes, and partly for local purposes The first thing is raising the cess and the subsidies to the local body cannot be less than what it was before.

A.—I have not thought out Mr. Scott's suggestions in detail.

Q—What has been suggested is that you might take a flat rate on raisings, and since that would fall unduly heavily on the poorer class of mineral, you should also have a percentage on the company's income above a fixed rate and a percentage of the mineowner's profit.

A.—I do not see any objection to taxing minerals for the purpose of development, even in privately-owned property, because the mineral owners after all are not merely using the income of the property, but also selling wasting assets

Q.—You say, " [illegible] of State has agreed t[illegible] a ton to a rate ba[illegible] is based upon the tari[illegible]

A.—There is one tariff valuation for all classes of pig-iron; and the price of Cleveland No. 3 is generally taken for the purpose of fixing the valuation.

Q.—It is not exactly the tariff valuation. It is generally based upon the actual price of Cleveland No. 3.

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Q—What has been suggested is that you might take a flat rate on raisings, and since that would fall unduly heavily on the poorer class of mineral, you should also have a percentage on the company's income above a fixed rate and a percentage of the mineowner's profit.

A.—I do not see any objection to taxing minerals for the purpose of development, even in privately-owned property, because the mineral owners after all are not merely using the income of the property, but also selling wasting assets

Q.—You say, " Recently after a protracted correspondence, the Secretary of State has agreed to the raising of the royalty on iron ore from half an anna a ton to a rate based on a sliding scale ", which we were told yesterday is based upon the tariff valuation of Cleveland No. 3 pig-iron.

A.—There is one tariff valuation for all classes of pig-iron; and the price of Cleveland No. 3 is generally taken for the purpose of fixing the valuation.

Q.—It is not exactly the tariff valuation It is generally based upon the actual price of Cleveland No. 3.

A.—There is nothing about the method of fixing the tariff valuation in the correspondence between the Government of India and the Secretary of State.

Q.—With regard to income-tax you say that recently an arrangement has been reached with Bengal by which this is adjusted. What are the terms?

A.—The companies registered in Calcutta, although working here, pay income-tax in Calcutta, and in consequence Bengal gets the share of income-tax which should come to the Local Government under the Devolution Rules. The income is earned in this province and the income-tax is paid in Bengal because the headquarters of the companies are situated in Calcutta.

Sir Percy Thompson. Q.—Don't you take 75 per cent of it?

A.—The case is dealt with in the Finance Department. I do not know the details.

Dr. Paranjpye. Q.—What about Jamshedpur?

A.—They pay income-tax in Bombay and we have not come to terms with Bombay, as far as I know.

Q.—You say the mining rules unduly favour the exploiter?

A.—They are unduly rigid from beginning to end

Q.—You criticize the retention of the principle of priority. What does that mean?

A.—The man who wishes to work minerals has first of all to get a certificate of approval Then there are rules which say that in case more than one person applies for a license or a lease, the first applicant who holds a valid certificate of approval is entitled to the license or lease. There is no further discretion in the matter Though there was a proviso allowing the Local Government to exercise a certain amount of discretion, the Government of India recently placed an interpretation on that proviso, which leaves a very limited scope for discretion.

Q.—Your actual income from mines is Rs. 1,60,748?

A.—That is for the year ending 31st March 1924.

Mr. B. FOLEY, I.C.S., M. L. C., Member, Board of Revenue, Bihar and Orissa, was next examined.

Written memorandum of Mr Foley.

Q. 1.—Annexure A-1, Agricultural statistics, paragraphs 3 and 4.—It is not correct to say that there has been no accurate survey of Bihar and Orissa. There has been a cadastral survey and settlement of most of the province. It is not quite correct also to say that the figures in Bihar and Orissa are everywhere supplied by the police. In Cuttack, Balasore, Puri and Angul a revenue staff known as Chakla Kanungos under a Sirdar Kanungo report direct to the District Officer. In Sambalpur the Central Provinces system of Tahsildars is in force.

The cadastral surveys give an estimate of the area of each crop. I do not believe myself that the figures either of area or of the crops grown can be relied upon, I believe they are generally inaccurate. The police take little interest in the work: the figures come up every year through a Deputy Magistrate in charge of the department of the Collectorate. My experience is that this Deputy Magistrate as a rule passes the figures placed before him without examination. As Collector myself I always, in the case of the principal crops, used to check the figure of estimated outturn, *i.e.*, the number of annas the crop was supposed to be and generally raised it. Many Collectors however cannot find time to do this. Neither the Deputy Collector nor the Collector has any means of testing the accuracy of the area or of the amount of crop in the statements. The statements are forwarded to the

Director of Agriculture, who examines them carefully and then usually raises the estimate of the general outturn for the year. He can, however, in most cases only proceed by guess-work, and he is naturally reluctant to interfere with the estimate of the District Officers who know the actual conditions better than he does The result, I believe, is that all crops generally are underestimated

Paragraph 5 of Annexure A.—As regards the estimate of normal outturn, I believe myself it is absolutely impossible to make an average Indian officer understand what is meant by normal or average. I quote my experience when enquiring about crops from a police sub-inspector in a thana in Darbhanga in 1916 He told me the crops were average or 12 annas I enquired why they should not be 16 annas, as the rainfall and general conditions seemed to me very good he replied that a certain area of the thana was flooded: I enquired whether this area was not flooded every year he replied in the affirmative, he was still however unable to understand why his estimate should not be 12 annas Besides this, I believe, there is a latent belief in every Indian reporting about crops that it is advisable to underestimate the crops, because there is a possibility of taxation At any rate he thinks some harm may result in some way to him if he reports the actual state of the crops, and the actual price at which they sell In consequence he invariably underestimates the crops and understates the price. Besides this there is to be taken into account the "ingrained pessimism" referred to in paragraph 7 of Annexure A.

Paragraphs 6 and 7.—Personally I have given up in despair the hope of obtaining accurate estimates by requiring that the estimate should be given in annas The usual estimate of an average crop is 12 annas, but in some districts I found it placed at 13 annas I have always found it difficult to find out exactly what an ordinary Indian means by 12 or 13 annas. The general explanation is that 16 annas is a full crop and 20 annas a bumper crop. Thus, apart from a general tendency of reporting a 12 annas crop as say, 8 annas, this method of calculation, I think, always leads to underestimation.

As to percentages, early in my service the system was to take 100 per cent as a full crop. This was subsequently altered, and it was directed that 100 per cent should be regarded as an average crop. The officers reporting have never been able to understand this, and an average crop is generally reported as 75 to 80 per cent. The consequence is, as has been pointed out on several occasions, that the examination of the statistics for a period of years always shows that the average outturn of crops is below normal.

Annexure A.—*II, Industrial statistics*.—

I have had some experience of the coal trade as Collector of Burdwan, when on special duty reporting on labour, as Commissioner of Chota Nagpur and as Chairman of a Coalfields Committee I believe statistics as regards production, value, price of coal, and the statistics of persons employed in the industry are rather better than the figures with regard to other minerals. There are various means of checking them. I do not believe, however, that the figures can be in any way looked upon as accurate. There are numerous small collieries whose returns, I believe, are often false. For the purpose of local cess (paid to the District Boards) and income-tax, colliers are assessed on their profits. For ascertaining the amounts, due accounts passed by chartered accountants are examined. For various reasons these cannot be regard- [illegible] accounts of smaller Indian-owned collieries [illegible] and profits can as a rule only be gauged [illegible] lfield, collieries are subjected to one cess [illegible] nes Board of Health and to a water-rate [illegible] Water Board. The most satisfactory method of taxation has been found to be a taxation on despatches, since they are based on the figures of coal despatched by rail: these are not accurate, but serve as a fairly satisfactory basis of taxation. They leave out of account,

of course, local sales, free allowances granted to labourers, and coal stolen by labourers. In spite of this the figures are found to be better than the figures of raisings. In this connection, I quote paragraph 35 of the Coalfields Committee.

"35. *Paras. 19, 20 and 22.*—Mr. Rees recommends that all coal brought out of the mines should be weighed and an accurate record kept. A Government rule to this effect would, he considers, be useful for statistical purposes, because the figures of despatches by rail do not cover the whole of the coal actually raised. It would also be useful as a check on the coal removed by the labourers for domestic and other purposes.

"The evidence laid before us on this question is rather conflicting, but is on the whole adverse on the ground of impracticability. The advantages for statistical purposes are obvious. The present statistics, obtained from the railway companies and compiled by the Department of Mines, are admittedly *inaccurate and inadequate*, and more *complete* and *reliable figures would* convey valuable information and would besides simplify the levy of cesses, such as the Mines Board of Health and the Jharia Water Board cesses, which are at present imposed on raisings and despatches, respectively. The difficulties are, however, considerable. Weighment might be practicable in mines raising coal by shafts and haulage inclines, but would not be so in mines served by carrying-out inclines, where coal is raised in baskets and measured on the surface although the latter produce only about 8 per cent of the whole output, they constitute nearly 43 per cent of the total number of mines Again, owing to the many openings in most mines, a large number of weigh-bridges or weighing machines would be necessary, and the expense thus involved would be disproportionate to the advantages gained and beyond the means of the smaller collieries There are also other practical difficulties connected with the varying size and tare of tubs.

"Taking all these factors into account, we have arrived at the conclusion that under existing conditions compulsory weighment is unnecessary. We are of opinion, however, that both landlords and colliery owners would be well advised to introduce such weighment voluntarily wherever conditions render it possible."

Q. 3.—I agree. I refer to pages 18 and 19 of Alston's "Elements of Indian Taxation" written in 1910. Here it is stated that in the United Kingdom roughly a million people, whose annual incomes exceed £160 and who with their families constitute between 1/8th and 1/9th of the total population, contribute about 5/12ths of the total tax revenue. In British India the total number of payers of income-tax is only 230,000 out of a total population of 250 millions, a number constituting with their wives and families less than 1/100th part of the total population. The figures are probably considerably worse at the present time, since in 1910 the limit of income-tax was Rs. 1,000; at present it is Rs. 2,000. The present population of India also is over 300 millions.

Q. 4.—The accuracy of the statistics may be increased by requiring that more detailed enquiries should be made in the case of the settlement of a [illegible]

10 years.

Qs. 5-7.—I am not in favour of any census of production or of any legislation compelling the collection of information, if these are required merely for statistical purposes. I believe the figures obtained by both methods would with every care be inaccurate and the cost would not be justified. I think elaborate *enquiries that will cost money should be only made after it* has been decided that certain taxation should be imposed, and that it is necessary to ascertain what rates would be fair. I do not advocate any census or legislation with the object of preparing statistics to enquire into the

incidence of taxation or what sources of taxation are possible. I do not think that the results desired would be obtained, and the expenditure would be mostly wasted.

Q. 9.—I would divide the population into the several classes stated below, with reference to the taxes which affect them.

(1) *Zamindars.*—They are chiefly affected by land revenue paid to Government, and local cess paid to District Boards most of them are also affected by income-tax but not to a large extent. Their position generally is not so good as it was before the war. The rents they receive mostly remain as they were, but the value of money has decreased They also find it more difficult and expensive to collect their rents, since the tenants have become more independent and often withhold payment. in consequence their legal expenses have greatly increased.

(2) *Tenants*—These in the province of Bihar and Orissa are practically unaffected by land revenue they are affected by rent payable to their landlords, but this does not come under the head of taxation. In Government estates they pay rent direct to Government, but the general policy in Government estates throughout this province is to fix this rent at a very low rate. Tenants are hardly affected at present by other taxation except cess paid to District Boards and this is light Everywhere they are considerably better off now than they were before the war owing to the rise of prices. It is true they have to pay more for things they need to buy, but their wants are few and the increase in their income is altogether out of proportion to the increase in their expenditure.

(3) *Business houses and trading firms.*—These are chiefly affected by the income-tax, especially European firms

(4) *Indian merchants including money-lenders, grain dealers and banias.*—From this latter class a large amount of income-tax ought to be collected but is not, as they conceal their profits, and it is practically impossible to ascertain them This seems the weak point in the taxation of the country, since this class is the one that benefits more than any other by a stable Government, improved communications and all the conveniences of a civilized Government, especially the Post and Telegraph, but they do not contribute to the revenue in proportion [illegible]
their manner c[illegible]
man is rich or [illegible]
large extent. Many of them employ highly paid servants for the purpose of preparing false income-tax returns.

(5) *The Professional classes.*—The chief curse of the country is excessive litigation and large incomes are in many cases made by barristers, pleaders and mukhtears. On the other ha[illegible]
of them can hardly make a living [illegible]
income-tax. It is easy for them [illegible]
their income, but I do not belie[illegible]
otherwise they would lose their reputation. In some few instances they may [illegible]
[illegible] rge incomes,
[illegible] ix, but they
[illegible] stimation of
[illegible] by income-tax. It is probably less easy for them to conceal their income than for doctors.

(6) *The Labouring classes.*—The material condition of this class has greatly improved of late years. Their expenses are few and their wages have been enhanced out of proportion to their wants: they practically escape taxation altogether. If they choose to drink or indulge in drugs they have to pay more than they did, but this does not affect their general material condition. In the coalfields the result has been that they work only 3 or 4 days a week instead of 5 as formerly. The problem is to raise the standard of living, and I do not think so far the standard has been raised.

(7) *Clerks and employees on fixed incomes.*—The material condition of this class has much deteriorated since the war. Their salaries in most cases have been increased, but conditions of life are generally harder for them, as their salaries do not go as far as they used to If their income is over Rs 2,000 a year they are affected by income-tax: they are hardly affected by other taxes.

(8) *Domestic servants*—Their wages have increased, but I should say they are in much the same position as they were before the war. Their condition has not been improved like that of the labouring classes, nor has it deteriorated like class No. (7). They are practically unaffected by taxation

(9) *Europeans.*—This class taken all round contributes more than its share to the revenues of the country They cannot as a rule avoid the payment of income-tax and the cost of their living has increased to a very large extent owing to the increase in customs duties Everything imported into the country is much more expensive than it was.

As regards the incidence of taxation, the land revenue falls on the landlord and he passes it on to the tenant, but in Bihar and Orissa and Bengal the incidence is very light, in consequence of the permanent settlement. Local cess falls both on the landlord and the tenant. As regards excise, the tax falls on the consumer, and which of the above nine classes are most affected can roughly be estimated. As regards customs, the tax also falls on the consumer and this is paid in India to a disproportionate amount by class (9). A tax on raw materials, for instance, a tax on jute, could, I think, only be imposed on the exporter or manufacturer. Both would ultimately recover the tax from the consumer A tax on minerals, for instance coal, would be handed on by the collieries to the consumer and paid by the consumer

Q. 96—In Palgraves' Dictionary of Political Economy (1913) two definitions of rent are given

(1) "That portion of the produce of the earth which is paid to the landlord for the use of the original and indestructible powers of the soil." (Ricardo).

(2) "The income derived from the ownership of land and other free gifts of nature" (Marshall). A tax is defined as "a compulsory contribution of the wealth of a person or body of persons for the service of the public powers" (Bastable)

In Dalton's "Principles of Public Finance," 1923, page 25, a tax is said to be "a compulsory charge imposed by a public authority the essence of a tax, as distinguished from other charges by Government, is the absence of a direct *quid pro quo* between the tax-payer and the public authority."

I have nothing to criticize in the above definitions

I see that the question is debated whether the Indian land revenue is a tax or a rent, but I am unable to appreciate the force of the reasons alleging that it is a tax. I would call attention to pages 592-593 of Fawcett's Manual of Political Economy, 8th edition. It is here stated that the British traders, who first settled in India, found it governed by a great number of rulers, who owned the soil, and derived their revenue by making their subjects pay a rent or tax for permission to cultivate the land. The British obtained the dominions of these native rulers, and could exercise over it the same rights of property as those which an English landlord exeferses over his own estate: there is no real but simply a nominal distinction between a land tax and rent,

[illegible]

it is termed rent.

I do not see that the land revenue is different in its nature, whether it is derived from permanent settlements, or from temporary settlements, or again whether it is paid through intermediary landholders or direct by the tenant.

Where a permanent settlement has been made, the Government has foolishly deprived itself of the unearned increment, and the rent fixed is very far from an economic rent, being a rent, which in some cases is not much above a nominal rent, so that though it is still rent Government have parted with its rights to increase the revenue for good and all. When land is settled direct with the cultivators, as in certain provinces and in the *khas mahals* in this province, revenue and rent are the same. In neither case is the rent an economic one, *i e.*, one that is settled by competition

Q. 97 —I do not think the prosperity of the cultivator in Bihar and Orissa is affected by the land revenue or, as the question calls it, the land tax. In permanently-settled lands he is not affected by the land revenue, but by the landlord's rent, the tenant's portion of land revenue being insignificant The landlord's rents, taken as a whole throughout the province, are not, I believe, excessive The various settlements that have taken place in the last 30 years in the province, though there are exceptions in places, on the whole, I think, disclose that the rents paid by the tenants were considerably less than they were believed to be before the settlements were undertaken In many places according to the landlord's accounts exorbitant rents were found entered, but they are never exacted, the landlord never expecting to realise them and the tenant never expecting to be called on to pay them Landlord's *abuabs* in previous years have been a source of harassment to many tenants They still exist to a certain extent, but I believe they have been very greatly reduced

The causes which do influence the prosperity of the cultivator are social and are well known. He has no notion of limiting his family all his daughters must be married, and all must have as many children as possible: he is, as a rule, conservative, and is not inclined to leave his village if he can help it. In consequence, especially in three of the districts of the Tirhut Division, the pressure of population on the soil is very great. An ordinary cultivator is not extravagant in his ordinary life and saves what he can, but he is very extravagant on occasions, for instance, marriages, and, to a less extent, funerals and other ceremonies. To perform these ceremonies he plunges recklessly into debt, borrowing what for him is a huge sum at high interest from the local *mahajans*, and very often being unable to free himself from debt subsequently. The *mahajan* often treats him kindly, remitting part of his debt and advancing him seed, etc., on occasions, but the cultivator remains his debtor in a dependent condition with no capital of his own. The ordinary cultivator, if he saves, generally buries his money under the ground in his house he may convert a portion into ornaments for his women relatives he

which is left untilled. Taxation has nothing to do with the depressed state of the cultivator.

Q. 98 —I should say the criticisms are nonsense and not worth answering.

The land revenue assessment does not ignore the ability to pay of the subject. The amount of his income, which he has to pay as land revenue, is, as a rule, minute in permanently-settled lands and very light in lands settled temporarily. Where lands are not permanently settled, the ability to pay is carefully considered, when a new settlement is made, and before the rate of increase is determined. I speak from experience of resettlements in the districts of Balasore, Cuttack, Puri and Sambalpur.

The assessments, where there is no system of permanent settlement, do not lack the element of certainty. A proprietor knows he will retain his land at the present rent either for 20 or 30 years, and at the end of that time that the increased revenue he will have to pay will not be large or beyond his capacity. I see on page 24 of "Indian Land Revenue Policy" of 1902 that in some provinces improvements are exempted from assessment. I am confident that in no province would a proprietor be debarred from making improve-

ments because of the increase of revenue to which he would subject himself at the next settlement.

As regards the permanently-settled lands in Bengal and Bihar and Orissa, I should say there was practically no official tyranny and extortion with regard to the working of the Act of 1859, though *tauzi* and other clerks may exact small fees when land revenue is paid in the Collectorate There is indeed a mass of chicanery, fraud and general villainy with regard to the default and sale of estates and shares of estates, but these are practised by Indians on Indians and have nothing to do with officials. Collector knows nothing of what is going on and sells an estate mechanically according to the rules. What has happened is often exposed in an appeal to the Commissioner The Commissioner and the Board have full powers to rectify injustice, and often set aside sales, but probably a great many instances, especially with regard to *purdanashin* women, are not brought to their notice.

As regards Government estates, I am acquainted with all the largest Government estates in Bihar and Orissa and instances of official misconduct are, I believe, very rare.

With reference to the time of payment of revenue, the general *kists* for the payment of revenue in permanently-settled estates were settled after lengthy and extremely careful investigation They lack somewhat the advantage of uniformity and simplicity, but the times are fixed to suit the various harvests. The same is true of Government estates In these the *Lists* are sometimes altered, when they are found inconvenient.

In permanently-settled and temporarily-settled estates the revenue practically collects itself, since the proprietors are compelled to pay their revenue by a certain date, otherwise they are sold up Therefore, the only expense of collection is the expense of so many *tauzi* clerks, so many treasury clerks and so many accounts clerks in each Collectorate. I have endeavoured to ascertain roughly what proportion the cost of this staff bears to land revenue in permanently and temporarily settled estates. The Board's office works out the proportion as ·72 for the whole Province. I am not sure if this is accurate, but clearly the figure is an insignificant one. Of course, the salaries of the Treasury Officer, the Collector and the Commissioner cannot be taken into account, since their duties in this connection are only a minute part of the general duties they perform. In Government estates the cost of collection is between 10 and 12 per cent. It is only in places like the Kolhan in Singhbhum, where the Manki, and in Sambalpur, where the Gaontia is allowed a high percentage that it comes to 20 or 25 per cent The Manki and the Gaontia are however not merely tahsildars: they form an important part in the administration.

Q. 99.—I do not quite follow why inequality should be avoided. Where temporary settlements are based on prices throughout Bihar and Orissa, it is practically only the price of rice which is taken into account Every one knows the price of rice and *will know if the settlement is inequitable. In* Bihar and Orissa the rents of temporarily-settled estates are of course considerably higher than in permanently-settled estates, but the inequality does not matter.

Q 100.—I do not agree that Rs. 2,000 a year is the subsistence level in India. I see the Director of Land Records puts it at Rs. 150 a year for a family. I have not looked up the papers to ascertain for what reasons the exemption limit was raised from Rs. 1,000 to Rs. 2,000 in 1919. Probably it

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his holding is small, he pays a small rent, and if it is large, he pays a large rent whether small or large, he ought to pay rent to Government for the use of the land It is not like income-tax, where Government steps in and appropriates a share of the assessee's profits for no specific benefit in return The *raiyat* is paying rent not a tax. It might be practicable for a taxing officer roughly to estimate whether an agriculturist's income exceeded Rs 2,000 or any other limit, but this would be very difficult and it would be very inexpedient that any endeavour should be made to do this I do not think the exemption proposed would induce the further fractionisation of holdings to a great extent of course landholders and tenants whose income was just above Rs 2,000 would be likely to part with a portion of their land on consideration in order to escape taxation. A *raiyat* generally parts with a portion of his land, because he wants to raise money for a marriage, law suit or for some other purpose He generally mortgages his land for this purpose and is often unable to redeem the mortgage.

Q. 101.—I do not think a tax on mutations would check fractionisation, and I do not approve of a tax on mutations Under the Orissa Tenancy Act, the landlord is entitled to exact 25 per cent of the purchase price, but there is a considerable amount of fraud with regard to these purchases and the tenant generally produces documents showing fictitious amounts of consideration money received In other parts of the province the landlord generally by custom receives a considerably less amount as a mutation fee; in some places he receives nothing. there is a serious discussion at the present time as to how the Bengal Tenancy Act should be amended fixing what this fee should be I do not think mutations are a convenient form of taxation. As to preventing fractionisation, I do not consider this would be effected by any tax, since it is so easy to conceal these transactions, and also the amount of money that passes. I would suggest that the best means of preventing splitting up of estates is that the Batwara Act should be amended and the limit raised. At present an estate can be partitioned only if the Government revenue on the share of the applicant exceeds Rs. 10, and if the Government revenue on the shares of the non-applicants exceeds Rs. 5. Estates especially in the Tirhut and Patna Divisions have been for many years split up to a most undesirable extent and the process is continuing every year. It is true holdings, as a rule, are not usually further divided by the partitions, but I have nothing to suggest about preventing the fractionisation of holdings.

Q. 102.—The question apparently contemplates land brought under cultivation under irrigation schemes executed at Government expense. In this province the cost of most schemes is met by landlords and tenants, and of course land brought under cultivation under these schemes must be private property. In case of small schemes occasionally no revenue or rent is required for several years, since a considerable amount of labour and expense is required from the tenants before they can derive benefit from the irrigation scheme, *e g.*, in terracing th[illegible]
allow waste land br[illegible]
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advisable to exact any revenue or rent.

Q. 103.—I do not think the question is of importance in this province and I have never heard of any complaints on this subject. I believe the land revenue leviable by Government within municipal limits is very small. In Calcutta there is an officer called the Collector of Calcutta, but the land revenue collected by him is, I believe, insignificant: most of the time of that officer is devoted to excise.

Q. 104.—(1) This method cannot be adopted, since the land revenue is almost entirely paid by landlords and cultivators outside the towns. It will be necessary to exclude the town population. Even if the town population is excluded, however, the results will not be very useful. For instance in Saran, Muzaffarpur and Darbhanga the land is good and the population very dense, being some 800 to 900 to the square mile. In many districts of the Central Provinces and Bombay, I understand most of the land is not valuable and the population sparse. The first three districts are permanently-settled and I think the figures thus calculated will not give a correct idea as compared with the latter districts.

(2) Similarly it will not do to divide the land revenue by figures for the occupied area Municipalities, jungle, and waste land must be excluded. If the total of land revenue is divided by an estimate of the figures for the cultivated area, perhaps this would be the best rough and ready method of *estimating the incidence of land revenue in one province as compared with* another. This of course leaves out of account the pressure of population on the soil, but I think it may be fairly assumed throughout India, at least as far as my knowledge goes, that the cultivated area maintains all the persons it is capable of maintaining. As regards Bihar and Orissa it must be recognized that the land revenue in Chota Nagpur is an absolute song, *e.g.*, the whole land revenue of Ranchi district is only Rs. 14,506.

(3) Assessment of soil units cannot be adopted for Bihar and Orissa, since Sambalpur is the only district in which soil units are calculated.

(4) This method might be useful in combination with No. (2). In the case of land settled raiyatwari, the method is a good one Where lands are settled temporarily or permanently with zamindars, accurate figures for rents or annual value would probably be very difficult to ascertain. Still they could be ascertained with a fair degree of accuracy in certain districts or in certain estates and the figures would be useful. As regards Chota Nagpur, the percentage of land revenue to rents or annual value will be a very tiny fraction.

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would serve as a check. I do not think this method by itself could be adopted.

Q. 105.—The whole position in this province is extremely unsatisfactory. A case can be made out for extra taxation on minerals in order to obtain a revenue for Government, but it seems to me that the present is a most inauspicious time to levy any such tax, especially on the coal and iron industries. I should prefer that it could be considered whether a portion of the income derived by the zamindars from royalties and by the District Board from cess cannot be diverted to Government. I deprecate at the present time a further tax on the profits of the companies that work mines or any increase in the rates of the royalties on minerals won. It is true that the royalty on iron ore was until lately quite inadequate, but this has lately been rectified by the orders of the Government of India.

It seems to me that it was an absolute sin that Government did not reserve *for itself all minerals throughout India.* Personally I had occasion to go into the subject when I was on the Coalfields Committee in 1920. I beg to call attention to paragraphs 16 to 18 on pages 5 and 6 of our report. It will be seen that as late as 1880 it was open to Government to reverse the decision which had previously been arrived at, but it was considered advisable by the Secretary of State to leave the landholders either fully to develop the mineral resources of their estates or to afford facilities to others to do so. These reasons in the light of later history seem very extraordinary. I need only refer to the petty zamindars in the Dhanbad subdivision of Manbhum. In the late nineties and the first decade of the present century these zamindars, who were

very low in the scale of civilisation, suddenly jumped from poverty to what to them was untold wealth. They did nothing to deserve this wealth, and had the Secretary of State's decision been different, the whole might have gone into the general exchequer The same thing has happened lately in the Ramgarh estate in Hazaribagh, which was a few years ago seriously in debt and will shortly be nearly the richest estate in the Province. It will be seen from the report that the Lord Chancellor made a remark in 1916 questioning the zamindars' rights to the minerals The matter has since been taken up by the Government of Bihar and Orissa, but I am not aware of the present stage of the investigation

In the next place I wish to call attention to the cess levied under the Bihar and Orissa Cess Act on coal, the proceeds of which go to the District Boards. This cess has always been subject to dispute and the present position is extremely unsatisfactory I was Collector of Burdwan for 4 years, 1899—1903. As Chairman of the District Board, I found it difficult to budget what the receipts from the coal cess would be, and I remember a controversy one year with the Commissioner as to the closing balance, which I wished to fix at Rs 5,000 and the Commissioner wished to raise to Rs 20,000 in consequence of the rise in the coal market my actual balance was Rs. 1,15,000. When Commissioner of Chota Nagpur, 1916—1920, I found the District Board of Manbhum had the same difficulty in preparing their budget and providing for expenditure

In the next place when at Burdwan I received complaints from Raniganj and Asansol that the income derived from the collieries was not spent in the subdivision, but was utilized in other parts of the Burdwan district The matter was referred to the Bengal Government and Sir John Woodburn decided that the District Board should be compelled to expend in the colliery subdivision a percentage of its receipts proportionate to the cess which it derived from that subdivision. The same difficulty occurred in Manbhum and it was found by Government in a subsequent year that the above orders were not being observed The matter next came to my notice as Commissioner of Chota Nagpur The Bihar and Orissa Government had found the orders mentioned impracticable but had declared that a large proportion of the members of the Manbhum District Board should consist of representatives from Dhanbad, and also that District Board meetings should alternately be held at Purulia and Dhanbad, so that the colliery representatives might be able to insist on a fair share of the receipts being spent in the Dhanbad subdivision. This system however did not seem to work satisfactorily.

Conditions have been rendered much more serious by the orders passed by the Bihar and Orissa Government in 1913, transferring the whole of the local cess to the District Boards Before this half the cess was payable to Government as Public Works cess and utilized for the whole of the province. The cess income of District Boards since 1913 has therefore been doubled. As far as Manbhum is concerned, I believe the District Board has always found the greatest difficulty in expending the income; there has always been more money that could be spent in the Dhanbad subdivision than that subdivision required, and the closing balance of the District Board was always disproportionately high. Things are much worse at the present time. The Chairman of the District Board is still the Deputy Commissioner of Manbhum, but I understand the District Board has been captured by a crowd of ignorant and prejudiced non-co-operators. The Deputy Commissioner is powerless to control them and the large income derived from the colliery areas is now wasted. I have not heard whether the position in Burdwan is similar.

As regards Hazaribagh I have lately received an interesting report from [illegible] the cess demand of the district for [illegible] came from the assessment of lands [illegible] In 10 years' time the output of [illegible] lest estimate be not less than 6½ [illegible], which is the average paid by the present collieries on their output, there will in 10 years' time be an income of

24 lakhs. The coal industry is being grossly overtaxed for the benefit of the rest of the district. The District Board, as at present constituted, is not capable of expending its income wisely and in 10 or 15 years the income will be one which he feels certain Government will not allow the District Board to enjoy. The mining community, who contribute the bulk of the District Board's income, are in a minority in the District Board: the majority is composed of Swarajists, Congress men, etc., who pay little regard to the wishes of the mining community and are unfit to spend the income of the District Board The Deputy Commissioner recommends that the assessment on mines should be subject to the approval of Government, and that Government should interfere, when it becomes apparent that those who contribute the bulk of the taxes receive an inadequate return for their contribution.

The question of the assessment on collieries to local cess is now receiving the attention of the Bihar and Orissa Government, the late Commissioner of Chota Nagpur having twice raised the question that a cess on despatches should be substituted for the cess on profits. There is no doubt certain collieries in Hazaribagh are paying a very high cess. The Deputy Commissioner estimates this at 6 annas a ton, against 4 annas previously calculated, but this is much higher than the cess paid in Dhanbad where the highest rate seems to be slightly under 3 annas and the general rate much less The rate may be lowered, but it seems to me, however, this assessment difficulty is decided, that the question is one that might well be considered by the Taxation Committee, since the revenue obtained under any system of assessment must be a very large one, and it may well be discussed whether the whole should at present be paid to the District Boards or whether a proportion of it ought not to be diverted to the provincial revenues.

As regards other minerals the position is not the same. The most important is iron ore, most of which, with the exception of certain of the Orissa Feudatory States, is situated in the Singhbhum district. For many years the District Board of Singhbhum will need all the income it can obtain.

The mica industry in Hazaribagh is important and at present Government only derive an insignificant revenue from this, being merely a dead rent of Rs. 1-8-0 per acre on lands leased out in the Government estate at Kodarma. The Deputy Commissioner calls this a nominal quit rent: a certain amount per maund is assessed as profit on all mica mined. The total revenue [illegible] is being [illegible] Govern- [illegible] present [illegible] ig to the notice of the Committee that mica is a potential source of considerable increased revenue. A tax on output combined with a tax on royalties is what was suggested by the Deputy Commissioner last year: the last suggestion I have seen from him is to raise the rate of rent to lessees from Rs. 1-8 to Rs. 5.

With regard to minerals generally, therefore, my suggestions are that the legal position should again be reviewed, and that, if possible, Government should step into the place of the zamindars and obtain the royalties now paid to them. With regard to coal, I would divert a portion of the income now derived from cess from the District Boards to the provincial revenues. I would not increase the present taxation except with regard to mica. As regards mica, I would investigate the possibility of obtaining a much higher revenue.

Mr. Foley gave oral evidence as follows :—

The President. Q.—The first part of your note, which deals mainly with statistics, we shall pass on to the other Committee (the Economic Enquiry Committee) which has been constituted. You are very emphatic on the under-

estimating of crops and you say that "it is absolutely impossible to make an average Indian officer understand what is meant by normal or average".

A—Yes: it is a typical instance that I have given.

Q—You say "the most satisfactory method of taxation has been found to be taxation on despatches", but at a later stage you mention a tax on output combined with a tax on royalties. Would it be possible to combine a flat rate on despatches with a percentage on profits over a fixed amount? The point is that a tax on despatches only would be hard on the poorest quality.

A—Yes: it would be hard. A question under consideration at present is whether local cess at present imposed on profits should be changed to a cess on despatches. I found about 21 reasons on the one side and 16 on the other. I have not thought out the question whether a cess on despatches should be supplemented by a cess on profits over a certain amount.

Q—In the last page of your note you say with regard to mica "a tax on output combined with a tax on royalties is what was suggested by the Deputy Commissioner last year" In the case of Government mines, could you not take that in the shape of a percentage on the profits over and above a fair level of profit?

A—In the case of Government mines, I think Government must take the royalty. It would be very difficult to take a percentage of profits.

Q—I was talking about the general method of taxing the mines You may call it a cess or a royalty, or a tax I want to know whether you could not try to combine those two different principles.

A.—The royalty is a definite charge on all mines. In the case of collieries, there is a local cess levied for the benefit of the District Board. This is levied (1) on the collieries, (2) on the royalty-receivers, who are in all cases at present landlords.

Q.—Mr. Scott suggested to us that you should have one fund and make a contribution from that fund to the District Boards

A—I do not agree with his proposals on this subject.

Q—How does the proposed tax of 4 annas a ton differ from the royalty?

A—It would not differ from royalty in the case of the Government lands. It would differ in other cases, where coal belongs to private proprietors. The landholder, the royalty-receiver, is one person and the colliery company another.

Sir Percy Thompson *Q*.—It would always be passed on to the consumer?

A.—Yes. In 1920 the Coalfields Committee thought that a cess of 8 annas would not hurt the coal trade: there has been a slump since then and I do not think this is correct now.

Q.—Suppose you put on annas 8 a ton and it raised the price of coal by annas 8?

A.—It would raise the price of coal and the lower grades particularly would suffer. The rate would be placed on all kinds of coal, and at present there is only a steady demand for the higher qualities.

The President. *Q*—The private owner has no power during the term of the lease of raising his royalty. That is determined in the lease.

A.—Yes: he cannot raise it during the period of the lease.

Q.—What is the rate generally?

A.—It varies between 2 annas and (in one colliery I am acquainted with) one rupee. The average is 4 or 5 annas.

Q.—It would be a perfectly legitimate subject of taxation to tax royalty, because it is purely an unearned increment.

A.—Yes: it is certainly so.

Q.—Suppose the Government when putting on the 4 annas, put it in the shape of an increase in the royalty so far as the Government land is concerned?

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Q.—You say "the most satisfactory method of taxation has been found to be taxation on despatches", but at a later stage you mention a tax on output combined with a tax on royalties Would it be possible to combine a flat rate on despatches with a percentage on profits over a fixed amount? The point is that a tax on despatches only would be hard on the poorest quality.

A.—Yes it would be hard. A question under consideration at present is whether local cess at present imposed on profits should be changed to a cess on despatches. I found about 21 reasons on the one side and 16 on the other. I have not thought out the question whether a cess on despatches should be supplemented by a cess on profits over a certain amount.

Q.—In the last page of your note you say with regard to mica "a tax on output combined with a tax on royalties is what was suggested by the Deputy Commissioner last year" In the case of Government mines, could you not take that in the shape of a percentage on the profits over and above a fair level of profit?

A—In the case of Government mines, I think Government must take the royalty. It would be very difficult to take a percentage of profits.

Q.—I was talking about the general method of taxing the mines. You may call it a cess or a royalty, or a tax. I want to know whether you could not try to combine those two different principles

A.—The royalty is a definite charge on all mines. In the case of collieries, there is a local cess levied for the benefit of the District Board. This is levied (1) on the collieries, (2) on the royalty-receivers, who are in all cases at present landlords.

Q.—Mr. Scott suggested to us that you should have one fund and make a contribution from that fund to the District Boards.

A—I do not agree with his proposals on this subject.

Q—How does the proposed tax of 4 annas a ton differ from the royalty?

A—It would not differ from royalty in the case of the Government lands. It would differ in other cases, where coal belongs to private proprietors. The landholder, the royalty-receiver, is one person and the colliery company another.

Sir Percy Thompson. *Q*—It would always be passed on to the consumer?

A.—Yes In 1920 the Coalfields Committee thought that a cess of 8 annas would not hurt the coal trade. there has been a slump since then and I do not think this is correct now.

Q—Suppose you put on annas 8 a ton and it raised the price of coal by annas 8?

A.—It would raise the price of coal and the lower grades particularly would suffer. The rate would be placed on all kinds of coal, and at present there is only a steady demand for the higher qualities.

The President. *Q.*—The private owner has no power during the term of the lease of raising his royalty. That is determined in the lease.

A.—Yes: he cannot raise it during the period of the lease

Q.—What is the rate generally?

A.—It varies between 2 annas and (in one colliery I am acquainted with) one rupee. The average is 4 or 5 annas.

Q.—It would be a perfectly legitimate subject of taxation to tax royalty, because it is purely an unearned increment.

A.—Yes: it is certainly so.

Q.—Suppose the Government when putting on the 4 annas, put it in the shape of an increase in the royalty so far as the Government land is concerned?

A.—There would be no objection so far as Government collieries were concerned. In this province there are hardly any collieries in Government land.

Q.—It seemed to me that it was in your power to raise the royalties and no other Government could have said anything.

A.—I have not seen the proposal of the Bihar and Orissa Government. Royalties on minerals cannot be increased by the Local Government.

Q.—Of course, the other Governments were asked what their opinion was and they said naturally that it was an Imperial asset and it should not be taken by the Local Government. You can get leave to change the royalty with the sanction of the Secretary of State?

A.—Yes

Q.—Can you change it during the term of the lease?

A.—No

Q.—You then tell us about your proposal on the Coal Committee regarding compulsory weighment. Has any progress been made in the matter since?

A.—I have not visited the coalfields since, but I should think it was very unlikely.

Q.—Could you give us an idea of the action taken on the report of the Committee?

A.—The proposals were not accepted I believe the expense was found prohibitive, especially as the slump occurred shortly after the Committee submitted its report

Q.—In the Government mines, have you any provision for economical exploitation?

A.—No. There is no one in this country who corresponds to the "landlord's agent" at home. The duty of the Inspectors of Mines is only to look after the safety of the miners.

Q.—May we come to question No. 4? You say that there is a complaint generally about the cost of settlement under present conditions. How is the cost of settlement fixed between the Government, the landholder and the tenant? What is the share of each?

A.—I believe they vary, but I do not remember the shares.

Q.—The Act provides that the Local Government may fix the shares between the landholder and the tenant?

A.—I think so

Q.—But the Government actually pays its share as an act of grace?

A.—Yes: I think so. A share used to be paid by the Government of India.

Q.—With regard to question No. 0, you say that landholders "find it more difficult and expensive to collect their rents, since the tenants have become more independent and often withhold payment · in consequence their legal expenses have greatly increased." Is there a tendency for this to go on increasing?

A.—It looks as if it would, but of course I cannot prophesy. There is trouble in Champaran on this account, and there was special trouble in Orissa in 1922. The non-co-operation movement is still going on and these people are putting the tenants against the landholders.

Q.—Anything in the shape of a campaign of that sort would create a serious difficulty to the landholder?

A.—Yes.

Q.—What is the process of settling the *khas mahals*?

A.—Under the Tenancy Acts.

Q.—You settle the rents?

A.—Yes.

Q.—But you take a share of that?

A.—The whole rent is Government's I consider the rates are very lenient.

Q.—Much lower than in raiyatwari areas?

A—I have no experience of the raiyatwari provinces. They are much lower in Government estates than in zamindari areas I can cite a village in Gaya, eight annas share of which is held by Government, the rents in which are much lower than in the other eight annas

Q.—Everywhere the tenants are considerably better off than they were before the war on account of the rise of prices?

A.—Yes on account of the rise in the price of grain.

Q—Then you say that a large amount of income-tax ought to be collected from Indian merchants including money-lenders, grain dealers and *banias*, but you cannot get at it.

A—Yes that is my experience

Q—Is it possible to get at that by something in the shape of a license tax, which was in vogue under the old Income-tax Act?

A—I do not know how it would work.

Q.—You do not ascertain a man's income. You know that it is below a certain amount and you take a fixed amount—something like the profession tax.

A.—Perhaps it might be tried.

Q—Would not your chaukidari tax give you a guide?

A.—No The maximum of chaukidari tax is only Rs 12 a year.

Q—All you would have to do is to examine the people who pay the maximum chaukidari tax.

A.—But the books are very rough and they are prepared by the village people themselves. I do not think any results would be obtained. The assessments are made by the panchayats.

Q—The panchayats would know then

A—But they will have their own friends, relations and so on: they would not give true figures.

Q.—With regard to labouring classes, you say "their expenses are few and their wages have been enhanced out of proportion to their wants".

A—I was thinking especially of the labourers in the coalfields.

Q.—But the agricultural labourer is still badly off?

A—No he is much better off than he used to be

Q—Does not he still get two annas in some parts?

A—No I do not think so. He gets four to six annas.

Dr Paranjpye Q—We were told by a planter yesterday that the daily wages of the labourer were two annas a day

A—Probably he gets something extra from the factory or he would not work at this rate.

The President. Q—You conclude your answer by saying that the European pays far more than his share. You have not attempted to work out any figure showing what proportion of the whole each of these classes pay. Have you?

A.—No.

Q.—In answer to question No. 96, you say "the essence of a tax is the absence of a direct *quid pro quo* between the tax-payer and the public authority". We just heard Professor Hamilton who won't have that portion of the definition

A—I don't pretend to much knowledge of Political Economy, since it is 30 years since I seriously studied the subject, but after reading what you show me that Professor Hamilton says in his evidence, I should say that I

do not agree with him. He seems to me to use the word "rent" in a secondary or sort of bastard sense.

Q.—There is nothing very much in issue because you say a land tax and land revenue are the same.

A.—Yes. I am quoting Fawcett's opinion. He says the land in India belongs to the State and we simply stepped into the shoes of the Moghul Emperors.

Q.—If Government is the owner of the land, then how is land revenue a tax?

A.—The term is land tax. Fawcett says a land tax and land revenue are the same.

Q.—In answer to question No. 97, you say that the landlords' *abwabs* have been greatly reduced. Can you tell us what they are?

A.—They are demands made by the landlords in addition to the rent. They are most common where the rents paid by the tenants to the landlords are very small. Sometimes a contribution towards irrigation is exacted, even when there is no irrigation provided, presents are exacted on the occasion of a marriage in the landlord's family, on the birth of a child, visits of the landlord and so on. In one district I heard of a tax called "*hawan*" levied for the upkeep of the zamindar's motor car.

Q.—These correspond to what they call cesses in the United Provinces.

A.—I do not know. They are illegal, but when the sums are small and customary, *e g.*, on the occasion of a marriage, the people generally do not mind paying. Where they are carried to excess, it becomes extortion.

Q.—What is *salami*? Is it like *nazarana* in the United Provinces?

A.—It is the payment of a lump sum down, generally when a settlement is made and the rate of rent is often reduced in consequence, *e g.*, instead of settling land at Rs. 10 per acre a landlord might take so many hundred rupees down and settle it at Rs. 5 per acre.

Q.—Do they take premium in lieu of showing enhancement of rent?

A.—Not as a rule. *Salami* is generally paid because a tenant wants, *e g.*, land, minerals or a forest from a landlord. It is only when a lease expires that a landlord could exact *salami* instead of enhancing rents.

Q.—You refer to their taking 25 per cent if the tenant sells his occupancy right.

A.—This is the mutation fee prescribed by law in Orissa. In Bihar there is a dispute going on as to what mutation fee should be prescribed in the Bengal Tenancy Act.

Q.—Have not local bodies power to tax local markets?

A.—I think the municipalities in the province have no power to tax existing markets. I know of several municipalities where it was found not worth while to open municipal markets because private markets existed.

Q.—You could not impose license fees.

A.—Not under the present law, except for new markets.

Q.—When the Sara bridge was being built, Government found themselves unable to put up a market for the benefit of the coolies because the landlords had a right to establish shops.

A.—I never heard of the case.

Q.—You refer to Act XI of 1859 and say that there is no official tyranny and extortion. Under the same question you refer to the cost of collection of land revenue as ·72 as given by the Board.

A.—Yes.

Q.—Mr. Dain gives us a reference to an estimate by the Board which he puts as 1·57.

A.—I have no knowledge of Mr. Dain's reference to the Board. The percentage depends on how the calculation is made. My estimate excludes the

salary of the Collector, the Treasury Officer and others. I am simply taking the cost of a few tauzi, accounts and treasury clerks.

Q.—Mr. Dain says his estimate was prepared by the Board.

A.—It was not shown to me. My estimate was prepared on the date I myself stated.

Q.—You say "In Government estates the cost of collection is between 10 and 12 per cent It is only in places like the Kolhan in Singhbhum where the Manki and the Gaontia is allowed a high percentage that it comes to 20 or 25 per cent" Who is the Gaontia?

A.—A Gaontia is a sort of tahsildar, though in Sambalpur he is very like a zamindar He is a sort of middleman and is allowed 25 per cent of the collection of land revenue: he has certain public duties to perform in addition It is, I believe, a Central Provinces system. In Singhbhum the Manki collects rents in much the same way, but his duties are different: he is among other things a Police officer. The aborigines under the Mankis are assessed as lightly as possible

Q.—We never met Gaontias in the Central Provinces.

A.—There are Gaontias in some of the surrounding Feudatory States, *e g.*, Patna, Kalahandi and Sirguja. There are middlemen akin to Gaontias in all the Feudatory States but they have different names in different States.

Q.—In answer to question No. 99, you say you don't follow why inequality should be avoided. In the raiyatwari provinces the settlement is based on commutation rates which are based on the prices of the last 20 non-famine years

A.—I have no knowledge of raiyatwari provinces.

Q.—Is there no charge made on mutations at present? Do you register them all?

A.—They are only registered by zamindars.

Q.—You keep no registry of tenancy.

A.—A register is only kept by landlords. These are prescribed registers for Government estates, in which mutations are entered. They vary in accuracy.

Q.—Otherwise the record-of-rights in zamindari areas is written once in thirty years.

A.—Yes, a revision settlement is generally [illegible] or 30 years. An [illegible] up to date by a [illegible] In Government [illegible]

Q.—What is the Batwara Act?

A.—The Estates Partition Act.

Q.—You would raise the limit?

A.—Yes, there is a sort of geometrical progression. An estate gets split up again and again, and Government gets nothing except more trouble all round and more uneconomic holdings.

Q.—You don't charge any fee for partition?

A.—There are partition funds and the estates pay for the cost of partition, but they do not pay for the Collector's time.

Q.—Does not land inside municipalities that is not used for agricultural purposes escape taxation?

A.—I think there is a small land revenue realized from all land within a municipality.

Q.—That is a class of property that might well be taxed.

A.—I do not know how Government could get the money from extra taxation: this would go to the municipality. The municipality obtains the house tax.

Q.—That is very light, only 7½ per cent.

A.—Yes.

Q.—Landlords have secured very much unearned income on house property.

A.—Yes.

Q.—So there is considerable scope for taxation.

A.—Yes.

Q.—The question of ascertaining the comparative incidence of land revenue is very difficult. Could one ascertain the pitch of competitive rents from the registers of sub-registration offices?

A.—Possibly, but I doubt it. Many fictitious documents are registered, *e.g.*, for purposes like land acquisition, where no consideration money passes. Fabulous sums are sometimes entered in these cases in order to get more from Government.

Q.—*Would not the leases registered in the ordinary course of business* help us?

A.—Yes, I think so.

Q.—You say this is an inauspicious time to levy tax on minerals. We are not suggesting anything for immediate action. The report may serve as a general book of reference on the whole question of taxation to Government in future

A.—I understand

Q.—You would regard the royalties paid to the zamindars as an unearned income and a fair object for considerable taxation?

A.—Yes *Before I was on the Coalfields Committee I was under the* impression that the matter had been decided long ago, and was not open to question

Q.—Granting that you are not going back on your previous declarations, could you not at the same time say that this is a fair subject of taxation and that you will have to legislate specially for that?

A.—Yes. I think Government should obtain at least a share in the royalties of the zamindars.

Q.—Would you practically take back the administration of the cess and give the District Boards a share?

A.—No. Up to 1913 one cess was levied, half of which went to the District Board as road cess and half to the provincial revenues as Public Works cess. I suggest that Government should take back the Public Works cess.

Q.—The present position is rather anomalous.

A.—Yes.

Q.—Is it not a misnomer to call it a cess? It really is a tax that ought to be levied by Government.

A.—It seems correct to call it a cess because it is levied for expenditure in the district on roads, hospitals, schools, etc., not for the general purposes of Government.

Q.—*In the Central Provinces they attempted to deal with a similar problem* by converting a colliery area into a special district.

A.—I have no knowledge

Q.—You say that at the present rate the income from the cess will be far greater than the District Boards can spend

A.—Yes, unless you raise the standard of the colliery districts enormously above the standard observed in other districts. I maintain also that the present District Boards are incapable of spending the money properly.

Q.—Have you no power to reduce the rate?

A.—The District Board has the power but will never exercise it: it always imposes cess at the maximum rate.

Q—The District Boards can reduce the rate if they want to.

A.—Yes.

Q—You say in your memorandum that the question of the assessment on collieries to local cess is now receiving the attention of the Bihar and Orissa Government, the late Commissioner of Chota Nagpur having twice raised the question that a cess on despatches should be substituted for the cess on profits The Deputy Commissioner estimates this cess at six annas a ton; how does he arrive at this?

A.—It is partly arrived at by estimating what it would cost the Railways if they did not supply their own coal.

Q—He calculates the cess on profits on coal at six annas a ton.

A—Yes: it is a higher rate than what had previously been estimated, but this was four annas a ton. There was correspondence for several years before the Government of India decided that Railway collieries must pay cess to a District Board.

Q—Now that the East Indian Railway has become Government property, they would become exempt again?

A—I have not studied the point

Q—On the last page of your written statement you say that the proposal of the Deputy Commissioner, Hazaribagh, with regard to mica was to impose a tax on output combined with a tax on royalties. Can you give us any more details about the proposal?

A.—He has not worked it out At present the Government estate containing mica is let out in squares on a dead rent of Rs. 1-8 an acre, which is much too low. The Deputy Commissioner has since proposed to raise the rate to Rs. 5. Everything connected with mica is extremely difficult on account of the enormous amount of theft prevalent everywhere. For this reason it is probably impossible to put a tax on output, and a tax on royalties would be equally difficult.

13th March 1925.

PATNA.

PRESENT ·

Sir CHARLES TODHUNTER, K.C.S.I., I.C.S, *President.*
Sir PERCY THOMPSON, K B.E, C B.
Dr. R. P. PARANJPYE.

Mr. H. T. S. FORREST, I.C.S., Commissioner, Orissa Division, was examined.

Written memorandum of Mr. Forrest.

Q. 106—I have not been able to understand how this classification would apply to Indian conditions. In this province and in Bengal the services performed by local authorities are as follows:—

District Boards.

(1) Obligatory—
- A. Pounds.
- B. Education.
- C. Medical.
- D. Public Works.
- E. Sanitation.

(2) Optional—
- F. Vaccination
- G. Census.
- H. Famine Relief.
- I. Miscellaneous [main items (*a*) Veterinary, (*b*) Agricultural].

*Municipalities.**

(1) The conservancy of the town (public and private).
(2) The construction and maintenance of roads and streets.
(3) The lighting of roads and streets.
(4) The maintenance of a drainage system.
(5) The provision of filtered water and the control of private sources of water-supply.
(6) The construction of bridges, drains and municipal buildings.
(7) The maintenance of public markets.
(8) The inspection of private markets and the food-supply generally.
(9) The registration of births and deaths.
(10) The entire or partial maintenance of a force of Town Police.
(11) The advancement of education.
(12) The maintenance of hospitals and dispensaries.
(13) The taking of measures for dealing with plague and other epidemics.
(14) The maintenance of a staff of public vaccinators.
(15) The prevention of fires and the maintenance of a fire-brigade
(16) The regulation of the building of houses and huts.
(17) The opening up of crowded and insanitary areas.
(18) The maintenance of pounds and ferries.
(19) The maintenance of public burial-grounds and burning *ghats*.

N.B.—The *obligatory* duties, "as far as the municipal fund permits," are—

> "To cause roads, bridges, tanks, ghats, wells, channels, drains, latrines and urinals, being the property of the Commissioners, to be maintained and repaired, and the municipality to be cleansed."

The remaining duties on the list are *optional*.

Owing to the difficulty I have mentioned in the first sentence above, I am unable to reply to the second part of the question.

Q. 107.—(1) Yes. (2) No.

Q. 108.—I have no experience of octroi, but the other two taxes mentioned, *viz.*, house and land tax, and land cess, seem to me to be satisfactory from an economic point of view. There is also the practical reason (which carries special weight in India) that people have become accustomed to them. I do not recommend that either of these taxes should be discontinued.

Qs. 109 and 110.—I have no experience of the octroi tax. This tax is not in force in Bengal or Bihar and Orissa.

Q. 111.—I hold strong views on this point In municipalities where toll-bars are more or less under the eye of authority, there may possibly be some excuse for the toll system But I am of the opinion that, in the "mofussil," the system exercises an injurious effect on the carrying trade of the country—

*See pages 36 and 37 of "The Indian Municipality."

Q. 112.—(*a*) In my opinion, yes. In the case of the land cess, the historical grounds are specially strong.

(*b*) I do not quite understand this question. If it means, "Is any increase in the landlord's share of the house or land tax or the land cess *automatically* shifted on to the occupier," I should be inclined to reply in the negative

Q. 113.—I approve of these limitations on the power of District Boards and Municipalities in the two provinces with which I am acquainted. The local bodies constituted by the new Acts (which have come into force this year only) are, in my opinion, unfit to be given a wider discretion in this matter.

I have already observed many signs that the almost complete freeing of these bodies from *external* financial control is going to result in a serious waste of public money

There is no compensating *internal* check, or steadying influence, such as is provided in England by Town Clerks and Clerks of District Councils, and by the *quasi*-permanent officials in charge of departments Municipal and District Board servants of every grade have now been placed in a position of absolute dependence on the votes of the majority of the Committee.

Q. 114.—I cannot give the exact amount, but in practice only persons in very indigent circumstances—beggars, widows, etc.—were exempted. No able-bodied person was exempted I think that this policy is a sound one.

Q. 115.—In my opinion the chief defect in the existing law with regard to the "assessment" provisions in respect of municipalities is that it does not secure an honest *valuation* I have discussed this point at length in "The Indian Municipality," pages 163—172, where I have given my reasons for recommending that the law should be altered so as to provide that "in municipalities where taxation is based on rental values, the valuation being subject to periodical revision, this revision should be made by the revenue authorities of the district, the Commissioners having no concern with it whatever"

Q. 116.—No experience

Q. 117.—In this province the grants-in-aid made by Government to local bodies constitute from 30 to 40 per cent of their incomes. In my opinion such grants should be 'earmarked.' I am unable to suggest any general formula for calculating the amounts of such subsidies.

I am of the opinion that the present arrangements under which municipalities borrow money for *permanent* improvements are inadequate: I [illegible] by Government to local bodies might [illegible] riting off the loss incurred in giving [illegible] discussed on pages 172—176 of "The [illegible] en my reasons for recommending that [illegible] Local Government on loans taken by municipalities for expenditure on 'permanent improvements' should be reduced, and the period of repayment extended."

Q. 118.—I would say that outside the capital towns such a stimulus is practically non-existent in the case of sanitation,* very slight as regards road-maintenance and fairly strong as regards education.

Mr. Forest gave oral evidence as follows:—

The President. *Q.*—I understand you made a study of local self-government in Europe?

A.—I did in 1909-1910 But I have not kept myself in touch with post-war developments.

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*Vide "The Indian Municipality," pages 161—163.

Q.—You mention the pressure of taxation on the European. Have you tried to find out the actual amount of tax paid by Europeans on a normal family budget?

A.—No, I have not had a normal budget to work on.

Q.—With regard to Question 106, you do not think the classification into onerous and beneficial to be applicable to Indian conditions.

A.—I have tried to apply it, but I have not found that it fits in

Q.—Taking municipalities cannot you regard the provision of water supply as a beneficial service and education and sanitation as onerous services?

A—Yes. But in some of the services rendered, for instance conservancy, it seems to me to be difficult to distinguish the onerous from the beneficial

Q.—They may be considered as both

A—That was my point

Q—Would you not say as regards the beneficial service that the measure of payment ought to be the extent to which the tax-payer utilises that service?

A.—Yes That is theoretically correct My point is that I am unable to distinguish between the two kinds *in practice.*

Q—Take for instance the water rate. Is not that measured roughly by the quantity of water you take.

A—In India it is not. The water rate is introduced by wards One ward may have the water rate and another ward may not

Q—Because there is no water there

A—They get water from the stand pipes Where people get water in their own houses they get more advantage from the water supply

Sir Percy Thompson. *Q*—And they are charged accordingly

A—I do not think it is so. A large portion of the population has to get its supply from stand pipes These stand pipes and connections are not given over the whole of the ward.

Q—If a municipality starts a water supply, roughly speaking, it charges the rates proportionately to the supply

A—But only very few houses are given house connections.

Q—Is that so in this province?

A.—I am speaking of Howrah which is a very advanced municipality The water supply was very small—6 to 7 gallons per head Water connections were not given freely.

Q.—Are they given in Calcutta generally?

A.—In Calcutta it is different. They have a liberal filtered and unfiltered water supply. In Howrah we had merely a filtered water supply which provided 6 or 7 gallons per head and we found that house connections led to a great deal of waste. Therefore connections were not freely given and there were constant complaints from house owners on this score The control was exercised by the regulation of the diameter of the pipe according to the tax paid.

Q.—Will the municipalities prefer to have octroi rather than to impose house tax, profession tax and the like?

A.—I have no experience of octroi, but I think Indians prefer indirect taxes

Q—In Europe, are not local bodies compelled to impose certain direct taxes by law?

A.—I do not think so. French municipalities get 35 per cent of their income from octroi and another 35 per cent from "centimes additionels" calculated on the state and department taxes

Q.—The "centime additionel" is obligatory?

A—Yes, but the rate is not. They base their local taxes on the state taxes Each municipality fixes its own rates as far as I remember.

Q.—If a local authority wants more money it would have to raise it by means of some specified tax which is controlled by the Central Government.

A.—No. They can raise their rates I am afraid, however, my notes on this point are not up to date.

Q.—You say octroi itself is a bad tax.

A.—Yes. I should say that, but I have no personal experience of the working of the tax.

Q.—Assuming that it is a bad tax, would you allow the Central or Provincial Government to intervene to raise the house tax?

A.—This is a "transferred subject" out here, and since the Reforms if a local officer writes to the Government criticizing a policy that he considers wrong, Government usually says, "The opinion of the local body must prevail. They must learn by their own mistakes" Therefore I think it would be difficult for the Government to force through such a change by legislation. There would be the political difficulty

Q.—That does not affect us

A.—I am afraid I am looking at the matter from the point of view of the practical administrator

Q.—Should we advise the Ministers of the future that house tax should be obligatory and the other taxes should be optional?

A.—There are many practical objections to the rate of house tax being increased. I think it ought to be supplemented by something like a local income-tax

Q.—There is the difficulty of assessment and collection, because wherever you have anything like a local income-tax, as on circumstances and property, the complaint is that it is unequally assessed

A.—You cannot assess it fairly.

Q.—I wish to know whether you can suggest any machinery to do the local income-tax work

A.—Just as the Land Acquisition machinery might be utilised for purposes of valuation in connection with the holding tax, the assessment of the local income-tax might be taken up by the Income-tax Department

Q.—The local bodies would very strongly resent it

A.—It is done in the case of the District Boards, who do not object to the assessment and collection of the cess by Government.

The President. *Q.*—You have got a provision in the Act by which the Local Government has power to direct municipalities to appoint an assessing officer.

A.—Yes, but they don't use it. I never have been able to understand why the municipalities should make so much fuss about making its own valuation and assessment when the District Boards accept the valuation made by the Collector

Sir Percy Thompson. *Q.*—In the one case it is made for revenue purposes.

A.—The settlement department fixes the rents Revaluation of cess is done once in four or five years or longer intervals.

Q.—It is an *ad hoc* valuation for cess.

A.—Yes. A special officer is appointed by Government.

Dr. Paranjpye *Q.*—Does the local body pay of the officer?

A.—No.

Sir Percy Thompson. *Q.*—In Orissa which is temporarily settled, is cess levied on the land revenue?

A.—The actual land settlement is supposed to take place once in 30 years. The cess valuation is at more frequent intervals. When you have re-settlement it does away with the need for revaluation, though this procedure is not always followed.

Q.—You mention the pressure of taxation on the European. Have you tried to find out the actual amount of tax paid by Europeans on a normal family budget?

A.—No, I have not had a normal budget to work on.

Q.—With regard to Question 106, you do not think the classification into onerous and beneficial to be applicable to Indian conditions.

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A.—Yes But in some of the services rendered, for instance conservancy, it seems to me to be difficult to distinguish the onerous from the beneficial

Q.—They may be considered as both.

A.—That was my point

Q.—Would you not say as regards the beneficial service that the measure of payment ought to be the extent to which the tax-payer utilises that service?

A.—Yes That is theoretically correct. My point is that I am unable to distinguish between the two kinds *in practice.*

Q.—Take for instance the water rate Is not that measured roughly by the quantity of water you take

A.—In India it is not The water rate is introduced by wards. One ward may have the water rate and another ward may not

Q.—Because there is no water there

A.—They get water from the stand pipes. Where people get water in their own houses they get more advantage from the water supply

Sir Percy Thompson *Q.*—And they are charged accordingly

A.—I do not think it is so A large portion of the population has to get its supply from stand pipes These stand pipes and connections are not given over the whole of the ward

Q.—If a municipality starts a water supply, roughly speaking, it charges the rates proportionately to the supply

A.—But only very few houses are given house connections

Q.—Is that so in this province?

A.—I am speaking of Howrah which is a very advanced municipality The water supply was very small—6 to 7 gallons per head Water connections were not given freely.

Q.—Are they given in Calcutta generally?

A.—In Calcutta it is different. They have a liberal filtered and unfiltered water supply. In Howrah we had merely a filtered water supply which provided 6 or 7 gallons per head and we found that house connections led to a great deal of waste. Therefore connections were not freely given and there were constant complaints from house owners on this score. The control was exercised by the regulation of the diameter of the pipe according to the tax paid.

Q.—Will the municipalities prefer to have octroi rather than to impose house tax, profession tax and the like?

A.—I have no experience of octroi, but I think Indians prefer indirect taxes.

Q.—In Europe, are not local bodies compelled to impose certain direct taxes by law?

A.—I do not think so. French municipalities get 35 per cent of their income from octroi and another 35 per cent from "centimes additionels" calculated on the state and department taxes

Q.—The "centime additionel" is obligatory?

A.—Yes, but the rate is not. They base their local taxes on the state taxes. Each municipality fixes its own rates as far as I remember.

A.—They provide a certain portion of the expenses of the town police. At any rate they used to do so. I have been away from municipal work for eight or nine years.

Q.—At one time the chowkidari tax was a municipal tax?

A.—Yes. The town police had a separate uniform and a separate town inspector and the municipality paid a portion of the expenditure.

Q—You are against tolls?

A—Yes. The bodies created under the new Acts are reverting to the system of putting tolls on bridges

Sir Percy Thompson. *Q*—In your answer to Question 112, surely the owner does not get the benefit of any amenities that are supplied. It is the inhabitants of the district who get the benefit

A.—If you have temporary settlements any amenities or extra profit that the agriculturist may derive will lead to a corresponding rise in his rent

Q.—You don't charge the owner in any case in England.

A.—The rate here is generally low.

Q—If you double the amount of the cess you intensify the objection that it is the owner who pays, although the benefit of increased amenities would go to the occupier.

A—In the first instance.

Q—If the owner pays, can he shift it to the tenant?

A.—It would not be automatically shifted in cases where the demand for land and houses has diminished. As for land tax, it will depend upon the system in force. The landlord would eventually under the system of temporary settlement get some portion of the benefit. I mean the landlord would get the benefit *ultimately*. If you make a road, or a feeder road for the railway he will be able to settle his lands at higher rates and also find applicants for his unsettled waste lands At the next settlement he would get the benefit of this The landlord must automatically benefit if his tenants generally benefit.

Q—Actually your cess is a great deal heavier than in temporarily settled areas?

A.—It is an anna in the rupee on the rent. It is very low because the valuation does not really represent the value of the land.

Q.—As compared with the United Provinces where the percentage of the revenue is half the rent, your cess is heavier, is it not?

A.—Our revenue in the permanently-settled areas of the province does not bear any relation to the value of the land.

Q.—Your cess is based on the rent, and in the United Provinces it is based on half the rent. Therefore your cess will be twice as much as in the United Provinces You take one anna on the whole rent but they take only on half the rent?

A.—That is so.

Q.—Supposing the District Board sinks a well in a village situated on the top of a hill where there is scarcity of water. People used to pay Rs 5 a year

any benefit?

A.—The landlord gets an *ultimate* benefit. If the well is sunk where there was no water before, the value of the land will increase and with it the rent.

Q.—Supposing they do, let us take it that the value of the drinking water is put down at Rs. 5 a year to everybody, and if the tenant pays Rs. 5 for the amenity which is worth Rs 5 how can the landlord charge any more rent?

A—In that case certainly he could not charge it I was thinking mainly of improvements in communications, which are the most important improvements.

The President. *Q*—People in the village on the top of the hill can only get water from the bottom and they had to spend money for bringing water from there But if they are supplied water on the hill itself, they save that Rs. 5 a month?

A.—Yes.

Sir Percy Thompson. *Q*—My point is that the owner does not get any benefit out of the beneficial expenditure unless the service costs less than the value of the beneficial service.

A.—The people who live in that village would be more comfortable and more people would take up houses. Thus the landlord would get more tenants and more rent.

Q.—Take that village as a unit of taxation. They have saved Rs 5 which it cost them to go down for water to the bottom, and they are taxed again Rs. 5 for providing water-works. The value of the service before was Rs. 5 and in order to provide that service, Rs. 5 is taken out of taxation. I suggest that nobody would give a penny more for houses in that village.

A—I admit that, if all the money came from that particular village.

Q—If that village is not a unit of taxation other villagers and owners of those other villages are being taxed for amenities from which they get no benefit Why should you make the owners in the other villages pay?

A—The general tax-payer is not identical with the general cess-payer. The money for new improvements, comes partly from the general revenues. It does not come wholly from the District Board's own resources.

Q—If the general tax-payer chooses to give 30 or 40 per cent of the income to the local bodies, would you say that Rs 2-0-0 out of Rs. 5 is paid by the general tax-payer as distinct from the land cess payer?

A.—It is a fact that in my province 30 or 40 per cent. comes from the general tax-payer. Therefore a percentage of money spent on improvements of the kind mentioned is paid by the general tax-payer.

Q—What about the other 70 per cent. which is paid by the owners of property who do not benefit? It is fundamentally wrong to put your charge on the owner Provided what you are charging is not a tax but a payment for services rendered.

A—In Bihar the land revenue is fixed The landlord is paying the same amount as he did during the time of Lord Cornwallis. Therefore there is some reason for imposing cess on him.

Q—That would be proper if you were raising money for general purposes and not for local rates. What you are doing now is purely a makeshift.

A—I admit that on theoretical grounds you are right, but my practical point is that the landlord in a permanently-settled district is very much under-taxed in comparison with an English landlord

Q—Now take the landlord in a temporarily-settled area, why should he contribute?

A.—In this case the matter becomes more controversial and I am not prepared to give an opinion.

Dr. Paranjpye. *Q.*—Is not the reason that India did not contemplate ever having an absentee landlord? The absentee landlord is a modern innovation

A—In many districts in Bihar there are almost as many landlords as ryots owing to the sub-division of holdings. The landlord here is not like the English landlord

Sir Percy Thompson. *Q.*—The local body might say we don't think that landlords pay sufficient in the way of imperial taxes and therefore we will make all the rates payable by the landlords in our district and not by the cultivators Surely you must separate central and local finances entirely.

If you think that central taxation is not sufficient by all means raise it, but there is no reason why you should make a wrong incidence of local taxation?

A.—Does it not tend to make the general tax-payer and local tax-payer the same, where 40 per cent. of local revenue comes from the general taxes in the form of Government grants?

The President *Q*—Is it not the fact that cesses up to 1913 were taken half by Government and half by local bodies? Local services, for instance, roads, were maintained by Local Governments

A.—It was so. The maintaining of roads was an incident of the landlord's tenure. It was commuted and Government in 1913 handed over the public works cess to the local bodies.

Q.—With reference to the roads maintained by the District Boards, they are distinguished from those maintained by the Municipalities?

A.—Yes Then you have the big provincial roads with which the District Boards and Municipalities have nothing to do The provincial roads are maintained by the Government from its general revenues

Sir Percy Thompson *Q*—If you have a cess which goes to the general revenues, there is much more reason to argue that it is a breach of the permanent settlement?

A.—It was considered so. A great cry was made when the cess was imposed and the landlords said that it was a breach of the permanent settlement.

The President. *Q*—You say that the local bodies are unfit to be given a wider discretion. Is there any danger of local bodies imposing too much taxation?

A.—I do not think so,—rather the reverse.

Q—Supposing they did, would the ratepayers stop them?

A.—I do not think so.

Q.—My point is if the municipality begins to push its taxes to an unduly high pitch, those responsible would not secure re-election.

A.—I think they would not be re-elected My point is that they should not be given any more money from any source until they can exercise better control over their expenditure

Q—You say that the Municipal and District Board servants of every grade have now been placed in a position of absolute dependence on the votes of the majority of the Committee. It is contrary to your reading of the principles adopted in most democratic countries

A.—Yes. I have seen in the last six months since the new Act has come into force, the influence of the District Engineer over his subordinates has gone. He is afraid to punish his subordinates or his contractors The members of these new bodies treat the staff as if they were their own servants By the by, there is one thing to be said also I should like to mention with regard to section 114 of the Act [illegible] exemption sections also press r[illegible] houses. Very often you see a [illegible] difficult to pay taxes on the re[illegible] should be given power to exempt up to 50 per cent in such cases You should not force the man to let his house

Q.—You have got a section in the new Act which serves your purpose I think It reads thus "Whenever from the circumstances of the case the levy of a tax on any holding in the municipality would be productive of excessive hardship to the person liable to pay the same, the Commissioners at a meeting may reduce the amount payable on account of such holding or may remit the same"

A.—It serves the purpose to some extent, but it is better if you specifically make a rule allowing the exemption limit

Sir Percy Thompson. *Q.*—I think the whole of the funds of the District Boards are raised from land, in what way does the ordinary trader or shopkeeper contribute?

A.—I don't think the trader or shopkeeper contributes anything specifically to the District Board.

Q—Why should he not pay?

A.—I do not know.

Q.—Would you favour the idea of raising a local income-tax on him?

A.—Who would be the assessing authority?

Q.—Preferably somebody nominated by the Provincial Government, otherwise a committee of the District Board

A.—I think it is a possible scheme. I think that many Indians feel that such persons ought to be taxed

Q.—Is not the chowkidari tax an apportioned police rate? In the villages it is levied by a panchayat and it is levied on the principle of apportionment, so that it is a sort of police rate?

A.—Yes It is the only form of direct tax in the mofussil.

Q—Does it not resemble the *haisyat* tax in the Punjab, the profession tax levied in Madras, the tax on circumstances and property levied by the District Boards in the United Provinces and the *thathameda* or capitation tax in Burma?

A.—But in the chowkidari tax there is a limit Also the number of chowkidars is determined by the population of the village.

Q.—Would you compare it to the *personnel mobilier* in France? It is a combination of a poll tax and a tax on property at a very low rate

A—I have no experience of these taxes. Generally Indian opinion is that the *mahajan* or the shopkeeper does not pay his due share of local taxation

Q—Would it be fair to exempt the landlord from the chowkidari tax and levy it on the non-agriculturists? I mean to say in order to adjust the burden more fairly between the landowner and the *mahajan* or non-agriculturist, would it be fair to exempt the landowner from chowkidari tax as he is exempted in the Punjab?

A—I am afraid I cannot give you an opinion on this point.

Q—How do you propose grants in aid at lower rates of interest?

A.—I mean at lower rates of interest than they can get in the market. The interest charged by the Government on expenditure for permanent improvements should be reduced, and at the same time the period of repayment should be extended.

Q.—You propose that Government should borrow at 6 per cent. and lend at 3 per cent?

A.—Yes.

The President. *Q*—That would be a disguised subsidy.

A.—Yes

Q.—Would it not be simpler to the Government to give a direct loan for the improvement?

A.—That would be the best way, but perhaps Government would not have sufficient money at its disposal to make a direct lump grant.

Sir Percy Thompson. *Q.*—That would in effect be an annual subsidy by Government towards a permanent improvement.

A.—Yes.

Q.—Would they retain more control if they gave an annual grant? If they say "we will lend you this money at 3 per cent.", the control of provincial authorities would be gone, but if they give you a sum each year equal to the difference between 3 per cent. and 6 per cent and said they were going to see that the work was properly carried out and maintained,

they would have some leverage for control, whereas if they simply lent the money at 3 per cent., they would have no control.

A.—You anticipate a deterioration of the permanent improvement. My definition of "permanent improvement" is an improvement which is kept up to its full original efficiency as in the case of a railway bridge, for instance

Q.—Take for instance a bridge erected by a municipality; that has to be maintained and Government have much more leverage in insisting on its being maintained properly if it is giving an annual grant than if it had simply lent money and was getting 3 per cent.

A.—Quite so. But something should be done to encourage municipalities to apply for permanent improvements in cases in which they pay a large share themselves.

The President. *Q*.—The procedure adopted in most places is to give them half grant and half loan.

A.—Yes; If Government have as much money to give as Rs 50,000 on an improvement costing a lakh of rupees, so much the better. The present terms given to the municipalities by Government are hard.

Q.—You are surely giving sometimes loans even for 60 years.

A.—The ordinary municipal improvement loan is for a term of 15 or 20 years.

Q.—On page 106 of your book "the Indian Municipality" you say that a personal tax has always been regarded as being suited only to municipalities in a very elementary stage of development.

A.—That is the case in this province and in Bengal. It is an alternative to the holding tax. In some small municipalities you do not have a holding tax; you have a personal tax only.

Q.—Don't you approve of the principle of the profession tax?

A.—But it is applicable to *any* municipality, *i.e.*, to one who follows the holding rate system or to one who follows the personal tax system My remarks about the personal tax referred to is considered simply as an alternative to the holding rate tax.

Q.—Have you a profession tax?

A.—No.

Q.—Would you not approve that as a system of taxation?

A.—It would not bring in a very large amount of money, I think.

Sir Percy Thompson. *Q*.—It is like a tax on circumstances and property

A.—Yes.

Q.—In profession tax, certain professions pay at certain rates. When you come up to the top rates, it is practically an income-tax; that is so in Madras.

A.—I am not familiar with the case of Madras. My remarks were made only with reference to the personal tax as an alternative to the holding rate.

Q.—You quote Collier's Manual to show that whatever may be the rate fixed the principle of assessment should be that of apportionment. Would that apply to profession tax?

A.—I was not considering the profession tax.

Q.—You say that the holding rate should ordinarily be from one to two per cent below the legal maximum If you have a legal maximum at 7½ per cent, you can hardly afford to keep it below that.

A.—I think that on general principles you ought to keep a margin. When I wrote the words there was a legal maximum in force

Q.—You would not allow them the discretion to increase it?

A.—I would, if the control over expenditure was better than it is now. But I think money is being wasted at present, because there is no machinery for controlling expenditure.

The President. Q.—As regards lighting rate, you contemplate that being run at a loss, the deficit being made up out of general revenues.

A.—I do not see why it should not be done; I think it is very necessary. 15 or 16 years ago it was very difficult to get a municipality to put in lights at all.

Q.—You refer to lighting rate for the public streets?

A.—Yes, it is very difficult to get municipalities to light their streets.

Q.—Have you power to tax private markets?

A.—Yes.

Q.—Is that employed?

A.—Yes.

Q.—Can a District Board tax a private market?

A.—No, there is no special market tax.

Q.—The landlord who owns a market makes a considerable income.

A.—That is so.

Q.—Have you power to enforce sanitary and other regulations?

A.—No.

Q.—Would it not be desirable that you should have power to control the erection of a market and tax it heavily?

Dr Paranjpye. Q.—Or levy a license fee for a market?

A.—A market often consists of only a few sheds erected in a waste place.

The President. Q.—The market is a public function. The sheds should be erected on sanitary principles and clean latrines should be provided. If you take a fee from everybody who brings produce for sale, your District Board could very well run them as a business concern.

A.—The landlord gets small fees from the vendors. But generally, there is no such thing as even a wall round the markets.

Q.—What is done in some parts of India is to give the landlord an alternative of putting his market in proper order or taxing him out of existence and putting up a District Board market which complies with the sanitary necessities. Some Boards make very large revenue out of markets. Sometimes they use part of the money for making roads leading to the markets

A.—They may do it under the Village Administration Act recently introduced. At present we don't do it here.

Q.—Would not markets be a suitable item for taxation?

A.—I am not prepared to say that, because of practical difficulties. The huts that are erected are not generally worth anything. Ordinarily the mofussil markets only meet once a week, and if you go and see the place on a non-market day, it is merely a collection of ramshackle huts

Q.—Is it not fair that District Boards should take over the control of markets? It is a public service.

A.—The markets are not permanent; they may be in one place to-day, somewhere else the next day.

Sir Percy Thompson. Q.—Suppose the landlord says that he has a big piece of vacant land and people can go there to expose their wares by paying Rs. 2 each. You can say this is a market and charge a license fee?

A.—Often the landlord does not provide even huts.

Q.—That is why the District Board should have power to tax him. A rule should be enacted that a place where a certain number of persons assemble on certain days is to be regarded as a market and no market should be allowed to be continued except under a license from the Board.

A.—The landlord might say that he has no power to prevent people from assembling on his waste land.

The President. Q.—You make a good deal of money out of pounds?

A.—Yes.

Q.—That is a public service. You are making some profit out of it.

A.—Yes, a small profit.

Q.—Ought not that to be earmarked and the proceeds spent in building more pounds?

A.—I suppose theoretically that is correct. But it would be rather difficult to know what the expenses of pounds are, because there is no special agency for inspecting them. There is no regular service for looking after pounds. The local Police officer usually looks after them.

Q.—In other words, the District Board does nothing.

A.—That is so.

Q.—And the handing over of the surplus proceeds of the Pound Fund is a disguised subsidy to the District Board.

A.—I suppose that is so. The Government provides an inspecting agency in the form of the local Police officer.

Q.—The District Board merely pretends that it is administering the pounds, but they are only making money out of them. As a matter of fact they do nothing. The profits derived from pounds ought to go to improving the service.

A.—I suppose that if a pound had to be repaired, the District Board would provide money out of its funds.

Q.—Would it not be much more satisfactory to have the Pound Fund kept separately and utilized for the upkeep and improvement of pounds?

A.—I have not considered this point

Q.—Have you considered the other taxes in the Scheduled Taxes Rules, say a tax on rental values?

A.—I have not considered them.

Q.—Does not non-agricultural land which secures an enormous increment in rent in or near cities escape taxation?

A.—In England they do not tax vacant plots of land.

Sir Percy Thompson. Q.—A pure waste plot which might have a considerable capital value has no annual value.

A.—In America they tax such land on its capital value.

The President. Q.—I understand you have just had a surcharge provision passed Won't that tend to tighten things up very much and to improve the administration of taxes?

A.—It does not deal with *extravagant* administration One of the first acts of one of the new Boards in my division was to put up the public works rates by 40 per cent

Dr. Paranjpye Q.—The contractors get more?

A.—The extra money goes into the contractors' pockets *in the first instance.*

The President. Q.—You mentioned that, if the Commissioners fail to present their bills for taxes within six months of the date on which they become due they can only recover by regular suit

A.—They very rarely do that

Q.—Under the surcharge provision if, through negligence of that sort, they allow taxes to lapse, can you make them pay?

A.—I doubt very much if that could be done under the present Bill. I think it is only wilful negligence or illegality that is surcharged. Besides the final decision does not rest with the Audit Department; the local body has a right of appeal on grounds of equity to the Minister.

Q.—Is the Audit Department subordinate to the Minister?

A.—No; we have had a special clause inserted giving power to the Governor of the Province to appoint an authority to hear appeals against the order of the Examiner of Local Accounts on the ground of equity. The Examiner of Local Accounts would be the head of the Accounts Department *in this particular instance. He would give an entirely legal and technical* decision and that would be appealable on grounds of equity to an authority to be appointed by the Governor; and the present Governor has given his private assurance that that authority would be the Minister for Local Self-Government.

Mr. J. A. HUBBACK, I.C.S., Director of Land Records and Surveys, Bihar and Orissa, was next examined.

Written memorandum of Mr. Hubback.

Q. 1.—Paragraph 4 of annexure A (*a*) General is incorrect. There has been an accurate survey on the 16"=1 mile scale of nearly the whole of Bihar and Orissa and in the course of that survey the area under the principal crops in the year of survey was ascertained. It is true that the yearly estimate of areas sown is based in the first instance on figures supplied by the village policemen to the police stations. But the estimate of each district is examined by the Collector or Deputy Commissioner against the areas ascertained during the cadastral survey, and allowances made for the character of the season and subsequent changes in cropping. The Director of Agriculture reviews the district estimates on the basis of his own knowledge and the resulting figures for the province may be taken as very reasonably accurate.

I consider that the estimate of the normal outturn is not very reliable. It is ultimately based on crop cutting experiments. Under existing orders these are carried out by selection of fields supposed to yield the average crop of the season for the tract concerned. The officers employed on the work have no special training and there is no way by which they can ever tell whether their selection [illegible]
[illegible] ever, make allowance f[illegible]
worth harvesting, a facto[illegible]
years of short rainfall [illegible]
main rice harvest, and p[illegible]
account. The present e[illegible]
allowance for these facto[illegible]
is a sound correction or not. The estimate of the crop of the year is correctly stated to be the purest guess work. The general tendency is to understate. In a bad year district officers frequently report the crop at less than half the normal, but few put the crop in a favourable year at much above the normal. As a result the average over a long period is usually about 80 per cent of the normal. *The Director of Agriculture makes some allowance for this tendency, but it is impossible to say whether the result is accurate.*

Q. 2.—The estimates of agricultural income suffer from the fact that they are ultimately based on estimates of yield, and these are not reliable. Another element of uncertainty is the price taken. Both Mr. Findlay Shirras and Professor Shah and Mr. Khambata take wholesale prices at large markets as the basis for food crop values. This evidently includes in the national income the earnings of the collector and transporter of such commodities. I cannot at present see why the earnings of those who market should not also be included, *i.e.*, why retail prices should not be taken. (A note of warning may be sounded against comparison of statistics of agricultural income as a part of the national income, and statistics of the value of gross produce required [illegible] paid as rent or revenue. In the [illegible] figure for price, *viz.*, the price on [illegible] a conflict of opinion between the [illegible] from straw, etc., and from cattle.

There are a number of other points that require to be threshed out dispassionately, before much weight of argument can be placed on any of these estimates.

Q. 4—I believe that statistics of the yield of the principal crops in India could be very greatly improved at comparatively small expense The main thing to do is to get rid of the personal equation as far as possible, and to substitute random sampling on a sufficiently large scale to secure a high probability of accuracy within definite margins of error. As a first step to this I organised during the last rice harvest a system of sampling in three widely separated tracts of the province, which has given me some 4,000 samples. These supply some indication of the way in which rice yield varies from one small patch to another. When a law (in the scientific sense) of variation has been established with reasonable certainty, it should be possible to decide what number of samples and what distribution of them in time and space is required to secure the required degree of accuracy for an estimate of the mean yield. The enquiry is only at its beginning but it seems to me probable that the cost of obtaining year by year a sound estimate of the rice yield of Bihar and Orissa would not exceed Rs 25,000 I have met with absolutely no opposition from the cultivators to the system of sampling adopted, which takes away a mere trifle of grain from the individual field Consequently legislation would be unnecessary. The plan, I am working on, would secure an estimate of the mean yield of the year, and after a number of years would give a good figure for the average mean yield The futile term "normal crop" would disappear

Q 8.—Speaking with regard to the Bihar and Orissa Settlement Reports, they afford material for an estimate of the economic condition of agriculturists, though the discussions of the material in the individual reports vary in value It should be possible with these to estimate roughly the incidence of taxation, but there will still remain the uncertainty arising from untrustworthy estimates of crop yields There is a great need for further enquiries into the expenditure of the average agriculturist.

Q. 38.—In theory I am in favour of the removal of the exemption from income-tax of income derived from agriculture

It is defended mainly on the ground that the agriculturists already pay a very large tax, in the shape of land revenue and in some cases were given a promise which they interpret as meaning that additional taxation would never be imposed upon them I do not agree with the former statement, but discuss it in reply to question No 96 So long as no distinction is made between unearned and earned income I see no good reason for drawing the distinction proposed in the question.

The value on the threshing floor of the gross yield of an acre of cultivated land in Bihar and Orissa does not on the average exceed Rs 30 and is most probably well below that figure It is not easy to say off-hand what allowance would be fair for the cost of production For example, in the case of a rayat cultivating by his own labour it is a question whether his own wages should be deducted [illegible] be somewhere near Rs. 10. Thus [illegible] greater than Rs 20 an acre, and [illegible] ning his own land under assessm[illegible]es The number of such persons in Bihar and Orissa is absolutely insignificant In two out of the three principal Tenancy Acts of the province there is a statutory presumption that a person holding more than 33⅓ acres is a tenure-holder, *i e*, a person who holds land for the purpose of collecting rents It is generally found that in fact tenancies in excess of this limit are to a large extent sublet, and the great bulk of tenancies are of far smaller areas Even if the value of agricultural produce was estimated at wholesale prices at large markets, in Bihar and Orissa, liability to income-tax according to the present Act would, in my opinion, be for all practical purposes confined to persons whose main agricultural income is rent.

Q 39—I presume the intention of the writer of the extract is to consider the yield from applying the income-tax law to agricultural incomes, preserving the existing limit of exemption, and allowing fair deductions to arrive at net income from gross income I estimate for Bihar and Orissa on that basis.

For the reasons given in the preceding paragraph, I ignore agricultural incomes other than those of landlords.

In appendix XVII of the Saran Revision Settlement Report a statement showing land revenue and landlords' assets for the Bihar districts is given. I am not sure that each and every figure could be fully justified, but taken as a whole they are probably accurate enough for the present purpose. (I have taken Purnea figures at Rs. 32,00,000 for cash rent and the rest for value of produce rents and farmed land.) The total for the ten districts is 4,12 lakhs in cash rents and 2,98 lakhs in produce rents and profits from farmed land, *i.e.*, land entered in the record of rights as in the cultivation of the landlord. As a matter of fact the greater part of this is really sublet. The figures vary in date from about 1898 to 1918. The increase in cash rents will have been insignificant, but the other figure should probably be raised by at least 74 [illegible]

should be made on the ground that the assets include the assets of tenure-holders and from that part of the assets an allowance would be made for rents paid by them to their superior landlords. This and other minor adjustments might bring the figure down to 5,50 lakhs.

For the other parts of the province the estimate is not so easy. The gross landlords' assets of the temporarily-settled estates of the three Orissa coast districts were put in 1910 at 55 lakhs, but land revenue is 21 lakhs. The assets are much undervalued in respect of farmed land. On the whole I should put the taxable income at 30 lakhs, but the present settlement operations will increase it. The permanently-settled and revenue-free properties might contribute another 10 lakhs. The district of Angul is a Government estate and there are hardly any landowners of any description who would be assessable. Sambalpur will not contribute more than 1 lakh, as rents are extraordinarily low and incomes much more level than elsewhere. Thus Orissa might contribute 41 lakhs in all, or possibly 50 lakhs by increase of assets since the figures [illegible]

[illegible] bout two-thirds of those of Hazaribagh, and as a rough estimate its contribution may be put at 20 lakhs. For Palamau Mr. Bridge [illegible] lords at 26½ lakhs. Land revenu[illegible] cost of collection to 22 lakhs. T[illegible] Hence 22 lakhs might be taken [illegible] bhum is largely Government esta[illegible] Perhaps 2 lakhs might come from there. The Survey and Settlement of [illegible]

zamindari tracts rents are [illegible]

Thus the total assessable income of landlords for the whole province may be taken at 5,55 lakhs for Bihar, 50 lakhs for Orissa and 99 lakhs for Chota Nagpur, or roughly 7 crores in all. It has next to be considered at what rate the assessment would be made. This of course depends on the way in which [illegible]

districts enumerated above. This is also the case in the Orissa coast districts. The remaining districts have several wealthy landlords but will not contribute largely to the assessable income I believe that at least half the assessable income is held by persons, whose assessable income would be Rs 50,000 or more, and on this ground I would estimate the average rate of assessment at 10 per cent, according to the law for ordinary incomes Thus the taxation of agricultural incomes in Bihar and Orissa would, in my opinion, yield something like 70 lakhs. About half of this sum would be leviable from some dozen to twenty proprietors I cannot speak with any kind of confidence about other provinces, but I have the impression that large landlords, who would be liable to pay a high percentage on income, are much more prominent in Bihar and Orissa than elsewhere, although possibly the gross agricultural income in some other provinces is higher This impression leads me to doubt whether anything like 16 to 20 crores would be realized I should put 10 crores as an outside figure

While I have stated that I am in theory in favour of an increased tax on ... 'd much more easily be assessed ... h to add a few remarks on the ... of doubt that zamindars in a ... y that they were secured for ever against such an imposition by the terms of the Permanent Settlement Regulation. However much the accumulation of considerable wealth in the hands of a comparatively few persons may offend against modern views of social justice, the fact remains that the accumulation exists and has resulted from a policy, which has persisted for upwards of a century To disturb that policy lightly and with undue harshness is unlikely to contribute to the ultimate advantage of the State It seems wise to consider, whether it is really just to impose at once and in full the rates, now payable on other forms of income, upon agricultural income I suggest that a gradual working up to the full assessment would be more equitable and that some substantial exemption should be provided for estates which have changed hands within the last few years

Q 40—The Indian limit is of course far above the subsistence cost of living, which I would put at not more than Rs 150 for a family I do not consider that the rules regarding land revenue have anything to do with the question, as I explain below under question No 96 If the cost of assessment and collection would not be unduly high, I should support a reduction of the limit to Rs. 1,000, with a lowering of the rate say 1 per cent for the incomes so included As I have endeavoured to show above, I do not think even that would affect persons actually farming their land, should agricultural income be brought under the Act.

Q 69—It would be possible to frame a definition of taxation so as to include land revenue or to exclude it Dealing first with raiyatwari tracts land revenue is assessed at comparatively long intervals on a consideration of a number of factors, which may be broadly summarized thus —

(i) the estimated value of the yield of the land, and the changes in that value, which have been brought about otherwise than by improvement by the settlement holder,

(ii) the general economic condition of people,

(iii) the existing assessment.

... existing forms of taxation is ... fact that the latter is, as a ... iterial divergence, it is clear

(i) no consideration is given to the efforts of the income-tax payer to create more wealth, in fact he is definitely discouraged from doing so by a sliding scale of rates,

(ii) the economic condition of groups of tax-payers is not taken into account;

(iii) no regard is paid to the assessment of previous years.

Coming to the zamindari tracts, the process is first to settle "fair rents" for the actual cultivators of the soil, taking into consideration the same factors as before and then to calculate the assets of the zamindars including therein their profits from land under their own cultivation and other sources besides the rents so settled. The assets are then divided between the State and the zamindar in varying proportion, in deciding which the previous assessment, the effect of the proposed assessment on the zamindar's net income, and in some cases the past conduct of the zamindar's family are concerned. It is open to the zamindar to decline the new settlement, upon which he is entitled to a portion of the calculated income from the estate.

Historically, land revenue in India has generally been taken to be a rent and not a tax, the land being the property of the State and let out either to cultivators or to others In the former case the revenue was paid into the treasury direct, in the latter rent was paid to the landholder, who paid it to the treasury after deducting an allowance for collection or enjoyed the whole of it in return for other services rendered to the State. In both cases there was on the opening of new land a power in the hands of the State to select the person to enjoy the land, and, though the right to continue to enjoy subject to punctual payment of the demand has been recognised in theory from time immemorial in the case of the actual cultivator, there was till 150 years ago little recognition of the same right in the case of the intermediary

It might be argued that land revenue is a payment for the supply to the cultivator of the principal capital from which he gets his living Against this it may be replied that State did
sell the right to use it It is an adr
to the view that the State had at lea
has directly or indirectly selected the
him as part of the contract demands a payment for that enjoyment. In no other case as far as I know, is a payment called a tax where the payer gets a *quid pro quo* and has been in the first instance selected as the recipient thereof and has accepted his position by actual or implied contract. Although it is no doubt right to include land revenue in the account, when considering what proportion of the national income is absorbed in State requirements, I doubt if there is justification in treating it as a tax when considering the relative burden on different classes of the community. It is of course justifiable to consider its incidence on the agricultural part of the community in different geographical areas.

It is hardly necessary to say that though I hold that land revenue is rent, I would be the last person in the world to desire to see it even approximately true economic rent

Q. 97.—In Bihar and Orissa the prosperity of the cultivator is certainly not affected largely by the land tax or, as I would prefer to say, the land revenue demand. Where he pays it direct he seldom pays more than 10 per cent of the net income, valuing the produce on the threshing floor, after deducting the cost of cultivation including the wages of himself and his family as labourers. The exception is Palamau where he pays about 20 per cent. In temporarily-settled zamindari tracts he seldom pays more than 15 per cent of the net income In permanently-settled districts the incidence of land revenue is nowhere more than 4 per cent of the threshing floor value of the gross produce, and in many districts it is 1 per cent or less. In Hazaribagh and Palamau zamindari tracts where the cultivator is more depressed than anywhere else the incidence is scarcely more than a half per cent. But

of it which goes on as revenue that presses on his resources in a considerable part of the province. Thus in Palamau zamindari tracts he pays a full 20 per cent of the gross produce as rent and in Gaya, where produce rents are prevalent, over 25 per cent. I consider that in some tracts such as these the pressure of rent affects the prosperity of the cultivator very seriously. Another principal cause affecting it is the fragmentation of holdings, to which I shall

refer again in answer to question No 101. But by far the most important factor is his fecundity which constantly tends to absorb the margin which extension of cultivation and rise in prices supply.

Q. 98—Accepting, which I do not, the proposition that land revenue is a tax, I demur to the criticisms of the system as a whole Assessment does not ignore the ability to pay, since at resettlement the existing assessment and the ease with which it has been collected is invariably considered, as well as the general economic condition of the people. The assessments have a greater element of certainty than income-tax or customs which are liable to annual changes, whereas land revenue is hardly ever revised, except at periods of at least 20 years. I can only speak of Bihar and Orissa In the permanently-settled areas the only method of enforcing payment is by threat of sale of the estate, and in the vast majority of cases the revenue is paid in due time, and even where it is not, a very small proportion of estates is actually sold In temporarily-settled zamindari tracts the same statement holds good as regards collection. Resettlement causes some harassment at intervals of 20 or 30 years, but the statement quoted is a gross exaggeration In raiyatwari tracts the assessment is paid regularly with far less harassment than in rent collection by landlords, and coercive measures are seldom required The times of payment have been fixed after long experience and it is very seldom that any objection to them is raised

In ordinary raiyatwari tracts the cost of collection is about 8 per cent, to which may perhaps be added about 2 per cent for the cost of periodical revisions. In Santhal Parganas the headmen get in all 10 per cent of the collections In Sambalpur the "gaontia," who is something intermediate between a headman and a tenureholder gets 25 per cent In both these cases and elsewhere, the headman does a great deal of petty administrative work besides rent collection, and contributes largely to the peace and contentment of the tract. This is not a part of the functions of the ordinary tax-collector in other countries Of course if the author of these criticisms was considering the rents paid by cultivators as taxation, and the difference between these rents and the ultimate receipts of land revenue in temporarily and permanently-settled tracts as the cost of collection, his dictum is, for Bihar and Orissa, a wide understatement

Q 100—The limit for income-tax is evidently not the subsistence level, otherwise clerks on Rs. 30 a month, to say nothing of servants on Rs. 10, could not be obtained. The point is hardly worth arguing. It would be exceedingly difficult for a revenue officer to apply a limit, which was set low enough to include among the tax-payers a proportion of the actual cultivators. They keep no accounts, and thus the only fair way would be to estimate the value of the yield from the holding This would be largely guess work superimposed on an exceedingly elaborate classification of land, which is already an expensive feature in the settlement system of some provinces In Bihar

of income-tax legislation. On the other hand, if in addition to land revenue income-tax with the present limit were imposed on agricultural incomes, there would not be great difficulty in deciding what incomes should be exempted This is so because the great bulk of incomes round about or above the limit are derived from rents of which accounts are obtainable No doubt false accounts would be put forward, but as landlords usually are at pains to exaggerate their demands in order to convince Courts trying rent suits, the danger to the revenue would not be great Discrimination in favour of small holdings would certainly have some tendency to induce further fractionisation

Q 101.—There is already a statutory payment (not to the State but to the landlord) of one-fourth of the purchase money on transfer of whole or part holdings in the temporarily-settled estates of the Orissa coast districts. Some payment, but not as a rule as much, is taken by landlords in the Bihar districts. Transfer of holdings both in whole or part is frequent in spite

of such payments, and I do
of course, be paid by the
obliged to. It must also
necessarily lead to fraction
hands of a man who is alr
point where it may be more economically worked

Q 102—I would certainly not apply the principle to waste land newly brought under an irrigation scheme Such land not only requires the water but in many cases a considerable amount of labour to bring it into full cultivation It is reasonable to allow the land to become the private property of the first occupiers, but subject to a suitable revenue charge, liable to variation after a substantial period.

Q 104—The first method is obviously unfair between provinces where the proportion of non-agriculturists is *different Land revenue incidence with* the impact falls exclusively on the agriculturists, since the cultivator, on an increase of assessment, cannot get it back from the consumer, because the price is fixed by competition with other suppliers, whose settlement has not been revised simultaneously Again the landlord can only pass on to the cultivator the part of an extra assessment that is prescribed in the process of rent settlement, and cannot pass on the rest to the general consumer. It is much more reasonable to divide total land revenue by total agricultural population That method, however, ignores the differences that may exist in the average productivity of the land of different provinces The second plan is equally defective in that respect, and both that and subsequent plans ignore the pressure of population on the soil, which is a factor to be considered. The third would fail, unless the principles of calculating soil units are practically the same in different provinces, and would permit no comparison with Bengal or Bihar and Orissa except a very rough one. The fourth method, I take it, means adding to the rents paid by tenants an estimate of the annual value of land in direct occupation by proprietors. It assumes that the rent paid is a fair measure of the productivity of the land, which is certainly untrue in Bihar and Orissa It has the advantage in this province of following the method of assessment to local cess, which simplifies its statistical treatment, but that method, though convenient for assessment purposes, is not *logical The fifth method, except for the defect of ignoring pressure of population*, is fair, provided the statistics of yield and price are reliable, which I do not think is at present a safe assumption The basis of net produce is theoretically preferable to that of gross produce, but the calculation of average cost of production introduces a fresh element of uncertainty

I would prefer a comparison with the true economic rent of the land, and believe it would be possible to frame one for Bihar and Orissa from a consideration of the prices paid for occupancy rights and for proprietary rights. In some parts of the province, however, occupancy rights are not transferable even with the con
would be necessary.
of intermediary rights
the results would give
be based on less dou
markets.

Even this method would ignore the pressure of population on the occupied land and this I believe to be an essential element Obviously if large areas are held by single individuals the total sacrifice is far less for a given State demand than if the land is split up among a very large number of individuals Thus strictly speaking not only the average income derived from the land by
d be considered, but also the dispersion of
ut it is likely to be very difficult to estimate
that both total income, and average income,
ome from land should be taken into account
land revenue, I cannot suggest any sound
formula for a comparison between provinces.

Q 105.—The question was considered recently by the Government of Bihar and Orissa but I believe the proposal to levy a tax on coal was negatived.

The surrender of the State property in mines over a large part of the province to private proprietors was a grievous mistake, and the imposition of income-tax on private royalties and company profits does not in any sufficient degree make up for the loss of revenue so occasioned. The State should certainly have a larger share in the profits derived from wasting assets, so that some part of them can be put back into capital in the shape of communications and other works of permanent public utility It may, however, be pointed out that in Bihar and Orissa local taxation is imposed on mining profits, in the shape of the local cess, as well as, in the coal area, contributions towards the local Board of Health and the Water Board. All the same there is still room for national taxation The incidence would, not at the present moment, be passed on to consumer, who would be mainly Indian, had desirable economy in use, and where the producer had to pay temporarily it would tend to economy in production charges. In both cases the wasting assets would be conserved. In Bihar and Orissa the only minerals, which at present would bring in an appreciable revenue, are coal and iron ore of which the former is vastly the most important. I recommend a moderate tax on despatches by rail.

Q 120 (vi) —In Bihar and Orissa the abolition of land revenue would mean a large present to a comparatively small number of persons, of whom most already enjoy substantial advantages by reason of the permanent settlement It will be well nigh if not absolutely impossible to pass on the concession to the actual cultivator by reduction of rent, as there is no means, except in temporarily settled areas, of judging how much of the existing rent is really land revenue On the other hand, Sir Ganga Ram's proposed produce tax would fall either on the cultivator or on the general consumer, and these classes would bear a burden, which at present falls in this province on people for the most part far more capable of bearing it The tax would be levied in Bihar and Orissa principally on rice, and, though it would in normal times not seriously affect the areas that are self-supporting in that commodity, since the movements would not be by rail, it would press with particular severity on a tract, where the crop had failed, and rail-borne imports became necessary In general it would tend to encourage uneconomical means of transport, and to increase fluctuations of prices

Q. 121 —Generally I agree. It is true that a tax on tobacco will not be based on the ability to pay, as a very large number of people with small incomes consume. In fact the agricultural labourer usually gets part of his wages in tobacco But assuming that the tobacco produced in India is approximately equal to consumption and the value given to it in various estimates of wealth is correct, the average expenditure per head for the whole population is probably not more than ten annas a year In spite of the views of the opponents of the salt tax, I doubt if a 10 per cent tax would be felt, especially as in this case it is open to the consumer to reduce consumption without serious hardship • The only point I am not sure about it is that the cost of administration would be low

Qs. 122 and 123.—I would prefer the fifth method It would exempt tobacco grown for home consumption and the cost of administration would be lower than by any other method I do not see why it should not be practicable It would get over the difficulty of import from Indian States.

Q 124 —I deprecate control of cultivation. Great extension of tobacco cultivation has occurred recently in North Bihar I have myself noticed it in Purnea district, which I knew 20 years ago, but have scarcely revisited since. The crying need for the agriculturist is more commercial crops As long as we have the system of petty peasant cultivation, it is most undesirable to do anything to discourage the growing of crops, which with industry and a small amount of capital yield a high money return Tobacco and sugarcane are the most promising of such crops

Qs 125 and 126 —An acreage duty would certainly operate unfairly on the poorer lands and discourage enterprise. It would also hit hard the cases, where the crop failed owing to frost or other causes. In Bihar and Orissa,

as I imagine in Bengal, its collection would be difficult in the absence of a staff employed on the annual survey of the cultivation.

Mr. Hubback gave oral evidence as follows :—

The President. *Q.*—You are Director of Land Records?

A.—I am just ceased to be. I am now acting as Commissioner of the Bhagalpur Division.

Q.—As regards the first portion of your notes which deals with statistics, it relates to the other Committee which has been appointed since we issued our questionnaire. We shall pass it on to the other Committee.

You say that you would take retail prices into consideration

A.—Yes

Q.—To what extent does the cultivator take his own produce to the market?

A.—To a fair extent.

Q.—You say you organised a system of sampling last year. What is the area that you take?

A.—I take 1/3200 of an acre.

Q.—Do you still retain the normal for your return?

A.—The matter has not been worked out yet What I hope to do is to have such samples year after year with the result that after 20 years one will know exactly what the normal is.

Q.—In what terms will you express the normal?

A.—Suppose your normal is 15 maunds per acre In any particular *year you may get 12, 10 or 17 maunds.*

Q.—Your normal is going to be the average of 20 years?

A.—Yes

Q.—And you are going to have it in maunds?

A.—Yes

Q.—In paragraph 8 you say " It should be possible with these to estimate roughly the incidence of taxation " That is, the incidence borne by the land revenue to the economic rent or the incidence of taxation on the agriculturists generally?

A.—In the main, the incidence of taxation on total income. The total taxation of all kinds on total income.

Q.—Have you made any estimates?

A.—*No; I am afraid I have not. I think it would be possible; but it* is very difficult

Sir Percy Thompson. *Q.*—You say you are in favour of the removal of *the exemption from income-tax on incomes derived from agriculture. Do you* think it will produce any large amount in this province?

A.—Yes

Q.—You estimate that under the existing rates, Bihar and Orissa will yield 70 lakhs?

A.—Yes.

Q.—You say that in Bihar and Orissa the rents tend to be concentrated in the hands of bigger landholders?

A.—I should think so.

Q.—In Bengal you have a large number of intermediary landholders who are themselves splitting up.

A.—Yes. There is very much more sub-infeudation in Bengal than in Bihar.

Q.—You say that "at least half the assessable income is held by persons whose assessable income would be Rs. 50,000 or more".

A.—I think it is right.

Q.—And you would take a rate of 10 per cent. That includes super-tax also?

A.—Yes, working on the figures given in the annexure to the questionnaire.

Dr. Paranjpye. Q.—You say that a good deal of that amount will be obtained from only a few individuals?

A.—Yes.

Sir Percy Thompson Q.—We find from estimates which have been given in other provinces that if you leave the agricultural exemption as it is, and if you lower the limit of exemption from Rs 2,000 to Rs 1,000, you double the income-tax payers but the amount of additional revenue will be insignificant.

A—Yes That may be the case here too

Q.—Would it not be difficult to have different rates of income-tax, one for agricultural incomes and the other for non-agricultural incomes?

A.—I do not think so, because the collection would probably be in different hands If agricultural incomes are to be taxed, the land revenue staff will be in a very much better position to do it than the income-tax staff

Q.—You find the total income and apply the lower rate to agricultural incomes?

A.—Yes

Q—In a way that would look anomalous, applying a low rate to agricultural incomes and a higher rate to incomes which are mostly earned.

A.—It may be so.

Q—Do you think it would be a very unpopular measure?

A—Yes, I think so certainly

Dr Paranjpye. Q—You suggest somewhere else that it would fetch about 10 crores of rupees.

A—Yes; throughout India. That is a rough guess

Q.—You make an estimate of 70 lakhs in Bihar; it may be double that in Bengal You may get a small amount in Assam, in the eastern districts of the United Provinces. In the Punjab an estimate was given that it would not be more than 5 lakhs, and I do not suppose it will be more than 3 or 4 crores on the whole for the whole of India.

A—I only say that it will not be more than 10 crores I said I could not speak with any kind of confidence about other provinces

Sir Percy Thompson Q—In the Punjab out of 3½ million cultivators, those liable to income-tax would be only ,300

A.—Yes I discussed this with my Personal Assistant who happens to be a Punjabi by birth and he said that there is very little to get from the Punjab.

Dr. Paranjpye. Q—In Bombay also an estimate was made and it was thought that it would not be more than 10 lakhs

A.—Yes.

Sir Percy Thompson. Q—On the question of reducing the exemption limit from Rs 2,000 to Rs. 1,000, you consider that the question is whether the game is worth the candle?

A.—Yes.

Dr. Paranjpye. Q—You say that the subsistence cost of living would be more than Rs. 150 for a family?

A.—Yes This is the lowest limit of subsistence at which a man can keep himself and his family alive. I think he could just do it on Rs. 150 in these parts.

Q—What does an ordinary English labourer get?

A—I am afraid I cannot say.

The President *Q*.—*You are not proposing Rs 150 to be the limit of exemption for income-tax?*

A—No I certainly would not put it below Rs 1,000.

Q.—You have referred us to the appendix to the Saran Revision Settlement Report. Can we accept that as an answer to our question No 104? In endeavouring to find out the incidence of land revenue in the different provinces, the only thing we have been able to arrive at is the percentage borne by the land revenue per acre to the economic rent per acre. You give us a reference to this statement which gives us the assets I suppose they are net assets.

A—I think they are net assets I should like to verify that myself.

Q.—Rs. 6 there is purely an arbitrary figure.

A.—It is based on the information we have as to the produce. It might equally well be taken at Rs. 7 or Rs. 8

Q—Would these figures be useful for arriving at a fraction more or less generally applicable either to a province or a tract, or would it be better to try and get a fresh figure?

A.—I have suggested that the best way is to try to get the economic *rent by finding out what the actual price paid for the various interests* in land is.

Q.—That will be from registered documents?

A.—Yes The difficulty will be that in some places the occupancy rights are not transferable

Sir Percy Thompson *Q*.—Is there any difficulty when the occupancy rent is not an economic rent?

A.—I think it is a question of what the property will sell for subject to rent. The rents in Bihar and Orissa are customary rents. They do not indicate the fertility of the land at all.

The President *Q*—You say "I would prefer a comparison with the true economic rent of the land, and believe it would be possible to frame one for Bihar and Orissa from a consideration of the prices paid for occupancy rights and for proprietary rights" How would you set about framing it?

A—We have collected in all these settlement reports the prices paid for occupancy rights and for proprietary rights which should be the basis to start with and they would have to be corrected according to the dates when the different settlements were carried through. Many of these settlement reports are now 20 years old and the prices have varied a good deal since then.

Q.—You would do it by a process of sampling?

A.—Yes. Random sampling of registered documents.

Q—You say "Even this method would ignore the pressure of population on the occupied land and this I believe to be an essential element" Would you introduce a moderating factor of some sort?

A.—I would if I could devise one. But I cannot suggest any sound formula; that is the trouble.

Q.—We must be content with a simple fraction?

A.—I think so. But that would not be a conclusive argument.

Dr. Paranjpye. *Q*—Do you mean to say that on account of the pressure of population they starve themselves and still cultivate the land?

A.—What I mean is that you have not only to consider what the total income is from land but also how it is dispersed; that is, whether you have got a large number of small men enjoying it, or a small number of rich men.

Q.—The idea is here to find out the pressure of assessment on land in the different provinces; that is, the share taken of the agricultural income; and as the fertility of land may vary in different parts, you find out the economic rent in each place and take the ratio. Now, how does the pressure of population affect it?

A.—I mean that in comparing one province with another you have to take into consideration whether a large number of moderately well-off people are bearing this burden

Sir Percy Thompson. *Q.*—Does it press harder on the small man? Suppose your rate of land revenue is uniform, does it matter whether it is on Rs 50 or Rs 100?

A.—One will be left with a greater margin than the other You can take more from a man having 500 acres than from one who has 5 acres.

Q.—It is not a thing like income-tax For example, you can say that the incidence of income-tax in France is so much, the incidence of income-tax in England is so much and you can say that the incidence in France is much lighter than that in England

A.—Comparing Bihar and the Punjab, you could afford to take a larger total amount of the produce of the land in Bihar than you could in the Punjab.

Sir Percy Thompson *Q.*—Does it press harder on the small man. Suppose your rate of land revenue is uniform, does it matter whether it between one man and another

A.—My point was how you were going to use the figures I wanted to guard against accepting the contention that in Bihar and Orissa the total amount of land revenue paid is one-tenth of the agricultural income, whereas in the Punjab it is one-fifteenth or one-twentieth, and consequently the burden in Bihar is heavier

Q—I think the State is entitled to 50 per cent We do not care how you split it up Why should the State get less because the people divide it into parts

A.—I think I am beginning to be convinced.

The President *Q*—According to the Saran report, no portion of the net cost of the settlement operations is borne by the Government of India. The Act provides that it should be recovered from landlords and tenants in a certain proportion

A.—In all the original operations in the permanently-settled areas, the Government of India agreed, practically from the time they started, to pay one-fourth of the net cost When it came to revisional operations, they said that they were not prepared to pay anything When the matter was thrown into the hands of the Bihar Government, this Government continued the same policy

Q—You recover the whole?

A.—Yes, at the revision settlements, in the permanently-settled tracts.

Q.—At a rate fixed per acre?

A.—According to what the cost may be The cost varies in different districts from six annas to one rupee.

Q.—Can you tell if Bengal adopts the same or a different policy? It is stated in the Bengal Retrenchment Committee report that Government pays a share as a matter of grace.

A—Bengal has not yet got to the revision stage It is still in the stage of original settlements

Q—You say that in the so-called raiyatwari tracts the cost of collection is about 8 per cent What raiyatwari tracts do you refer to?

A—I mean the Government estates settled with the raiyats

Q.—In permanently-settled areas?

A.—I think one per cent will be ample here. But the difficulty will be about the overhead charges such as the pay of the Collector and other officers I have not thought about that.*

Sir Percy Thompson. *Q*.—You say it would be exceedingly difficult for a Revenue Officer to apply a limit, which was set low enough to include among the tax-payers a proportion of the actual cultivators. I do not quite follow you.

A.—It is an answer to: "Is it practicable for a taxing officer to ascertain whether an agriculturist's income exceeds this or any limit".

Q.—What exactly do you mean by the term "to apply a limit"?

A.—I mean "to work on a limit," *i.e.*, to decide whether the income of the agriculturist does or does not exceed a limit

Q.—You say that there is already a statutory payment of one-fourth of the purchase money on transfer of whole or part holdings in the temporarily-settled estates of the Orissa coast districts Why was that given to the landlord?

A.—The history is that it had been taken for a good many years When Government wanted to get through the Orissa Tenancy Bill this was agreed to.

Q.—It is a formal recognition?

A.—Yes It was part of a bargain to induce the landlords pass the Orissa Bill as it was

Dr Paranjpye *Q*.—Is this premium taken into account in calculating the income-tax?

A.—At present I think it is regarded as agricultural income

The President *Q*.—It has been suggested to us that taxation of minerals should combine three elements. The first would be a flat rate on raisings or despatches. The second will be a levy on the landlords. The third will be a tax on the profits of the companies. This will be on profits over and above a fixed rate so as to secure a share of the difference in value of the better class mines

A.—As regards the first and third I agree I am not quite sure of the second

Q.—The second is this At the time of the permanent settlement the profit of the zamindar could not have been anticipated When he gets a windfall you ought to take a pretty good share out of that. In England they are levying a tax on mines You should take a part of the royalties taken by the zamindar.

A.—I think that is reasonable. But I have indicated in my note that royalties are already taxed. I think all the three elements ought to come in

Q.—Then it is suggested that you should abolish cess under the present system of taxation. Levy these three, and put the whole into a fund which should be shared by Imperial and Provincial Governments and local bodies

A.—The difficulty would be who is to decide how it should be shared.

Q.—Development of mines is a provincial subject and the Imperial Government employs certain expert officers. As the Provincial Government gets the benefit a payment has to be made for services rendered. The same applies to the local bodies

A.—It might be a provincial tax with a contribution to the local bodies and a payment to the Central Government

Q.—In both cases in view of the services rendered?

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*Since my examination I have looked into the point The cost of the *tauzi* establishment, omitting that required for collection of local cess, which is now almost always collected along with land revenue but adding overhead charges will be in Bihar and Orissa something like seven per mille of the land revenue demand.

A.—I think the idea is a sound one but would want watching as to how it would work out. The trouble is that the services rendered are so very various such as supply of pure water, communications, etc. As regards communications, the difficulty at present is that the coalfields lie in an administrative unit which is agricultural as well as industrial, and the complaint is that the former gets an unfair proportion of the benefits of the cess

Q—The Central Provinces creates a special board for the mining area and solves the problem in that way.

A.—I am not an expert on these points

Sir Percy Thompson. Q.—The question what sort of royalty Government would put on its own minerals would depend upon the competition from foreign minerals.

A.—That is a question which the Coal Committee are considering On that point I may say that four years ago the trade was quite ready to have a tax. But now there is a very different feeling because foreign competition has knocked down prices

Q—In that case it is impossible to put on anything appreciable by way of royalty unless there is corresponding import duty.

A—Even now the trade appears to be trying to get that concession for coal

Q.—If you once say that you are going to put on a royalty, won't you practically kill the incentive to open up mines?

A.—I think at present you would kill the enterprise. But the coal trade is expecting an import duty Would it not be possible to put on a tax with a sliding scale linked to the price? That is rather my idea

Q—With regard to tobacco, it is suggested to us that very little tobacco is manufactured here, and what is manufactured is manufactured as a cottage industry, so that you would not get much by your stamp duty A scheme has been suggested to us on the following lines It is selling by auction the monopoly of vend for a particular area You couple with that the licensing of traders and exporters with a nominal fee. You will then compel the cultivator to pass his crop on either to the monopolist of his own area or of another area, or to a licensed trader, or exporter. You can also have a duty on factory-made cigarettes.

A.—I think it is a possible scheme The only question would be whether the amount of tax would be proportionate to the amount of oppression.

Dr. Paranjpye Q—If each man pays two annas it will be two or three crores.

A—I am not speaking from the point of view of the consumer I was talking about the difficulty of the producer in marketing the crop I think the system is better than any other, if you are going to get hold of the bulk of the crop. As far as Bihar is concerned, I now understand that very little of it comes into factories

Q.—In this scheme it will be up to the monopolist to find out the illicit sales.

A.—Yes.

Q.—Do you know anything about the yield of tobacco per acre?

A.—I have never studied the question.

Q—Or about the curing process?

A—No

Q—Do you know anything about court-fees?

A.—I had something to do with it when I was Judicial Secretary.

Q.—Do you get a profit on court-fees?

A.—The Bihar and Orissa Government put up the court-fees about two years ago. That brought in a very considerable revenue.

A.—I think one per cent will be ample here. But the difficulty will be about the overhead charges such as the pay of the Collector and other officers. I have not thought about that.*

Sir Percy Thompson. Q.—You say it would be exceedingly difficult for a Revenue Officer to apply a limit, which was set low enough to include among the tax-payers a proportion of the actual cultivators. I do not quite follow you.

A.—It is an answer to "Is it practicable for a taxing officer to ascertain whether an agriculturist's income exceeds this or any limit".

Q.—What exactly do you mean by the term "to apply a limit"?

A.—I mean "to work on a limit," *i.e.*, to decide whether the income of the agriculturist does or does not exceed a limit.

Q.—You say that there is already a statutory payment of one-fourth of the purchase money on transfer of whole or part holdings in the temporarily-settled estates of the Orissa coast districts. Why was that given to the landlord?

A.—The history is that it had been taken for a good many years. When Government wanted to get through the Orissa Tenancy Bill this was agreed to.

Q.—It is a formal recognition?

A.—Yes. It was part of a bargain to induce the landlords pass the Orissa Bill as it was.

Dr Paranjpye. Q.—Is this premium taken into account in calculating the income-tax?

A.—At present I think it is regarded as agricultural income.

The President. Q.—It has been suggested to us that taxation of minerals should combine three elements. The first would be a flat rate on raisings or despatches. The second will be a levy on the landlords. The third will be a tax on the profits of the companies. This will be on profits over and above a fixed rate so as to secure a share of the difference in value of the better class mines.

A.—As regards the first and third I agree. I am not quite sure of the second.

Q.—The second is this. At the time of the permanent settlement the profit of the zamindar could not have been anticipated. When he gets a windfall you ought to take a pretty good share out of that. In England they are levying a tax on mines. You should take a part of the royalties taken by the zamindar.

A.—I think that is reasonable. But I have indicated in my note that royalties are already taxed. I think all the three elements ought to come in.

Q.—Then it is suggested that you should abolish cess under the present system of taxation. Levy these three, and put the whole into a fund which should be shared by Imperial and Provincial Governments and local bodies.

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Q.—Do you get a profit on court-fees?

A.—The Bihar and Orissa Government put up the court-fees about two years ago. That brought in a very considerable revenue.

Q.—Are suits brought in other provinces in order to escape the higher court-fee?

A.—These big suits cost Government more than the court-fee. Really big suits do not pay Such a suit will take the District Judge more than six months to try, and it will take three High Court Judges three months. The cost of these officers is very high, while the maximum court-fee is limited. It is not a profitable proposition from the Government point of view.

Q—You do not mind the parties going to another province?

A.—No

Q—Would you mind charging daily hearing fees?

A.—That might be a good idea.

Written memoranda of witnesses not examined orally.

Written memorandum ofRaja RAG HUNANDAN PRASHAD SINGH, M.L.A., Monghyr (Bihar and Orissa).

Introduction.

I propose to examine in the course of this statement the position of the landholders and bankers with reference to the Questionnaire issued by you and to state my views with regard to the burden of taxation as affecting these classes. But I should like to mention at the very outset that it is my conviction that these two classes are already heavily taxed and that it would be uneconomical to impose any fresh burden of taxation on them. Whatever disparity might have existed before the war between the burden of taxation borne by the richer classes in India (I use it in the commonly understood meaning as referring to landholders) as compared with similar classes in other countries in the West unforeseen effects of the war have imposed a burden of higher taxation to the limits to which it could be taken. The outstanding characteristic dominating all the aspects of India's economic life during last three decades has been that the country has been passing through an industrial revolution, similar in many respects to the one which took place in England during the early part of the last century During this period India has been in a state of transition from the old archaic economic order to the new and reorganised order. This transformation is still in its earlier stages

in the West. To add to those essential differences, the repurcussion of political happenings has also had an influence even in the examination of economic questions and as a result, the landed aristocracy have, more often than not, been made the target of attack from economists examining questions of rent, taxation, production and consumption from a political standpoint.

Political economy as developed in the West is based upon certain hypo-

not still follow, to any large extent, any economic rule. Disease and famine

-vations.

With these preliminary observations, I shall now proceed to give in brief my answers to the questions raised by you.

(The number at the beginning of each answer refers to the serial number in the Questionnaire). The answers are given only to such questions as are of interest to me or upon which I have to offer any observations.

A suggestion:—

An enquiry into the national income of this country is a subject very important before the question of the taxable capacity of the people could be adequately determined It is satisfactory to note that His Excellency the Viceroy has announced the appointment of an Economic Enquiry Committee. As your Committee have asked for suggestions on this subject, I would like to draw your attention to an American publication under the title of "Income in the United States" by W. C. Mitchell, W. I. King, F. R. Macaulay and O. W. Knauth (Harcourt Brace & Co , New York) published under the auspices of the National Bureau of Economic Research, a corporate body composed of very distinguished economists, who have clubbed together to work out their belief that "social programmes of whatever sort should rest whenever possible on objective knowledge of facts and not on subjective impressions." The book gives an exhaustive statistical analysis of the income of the people, the fluctuations in their money income, its distribution among wage earners and others, the changes in the *per capita* earnings and finally an instructive comparison with incomes in other countries The figures were compiled by two alternative studies from the sources of production and from the amounts of income received. It is claimed that the maximum discrepancy in any year between the two sets of preliminary totals was only 7 per cent. The method adopted in this book may be found useful in undertaking similar research in India

Q. 1—In my opinion these figures are not in themselves complete or adequate to estimate the wealth of the country An elaborate survey of these considerations will have to be specially undertaken

Q. 2—I have no knowledge as to how the estimates in these cases have been obtained I am inclined to think that any estimate taken before the war would be unreliable for our present purposes. I am in favour of a fresh and detailed enquiry by the Government into this question.

Q. 3.—I agree.

Q. 7.—They are not of value in relation to an enquiry into the incidence of taxation.

Q. 13.—In the case of a Government commercial or semi-commercial undertaking, there should be an endeavour only to secure a commercial return so that there will be an element of taxation coupled with a payment for services rendered.

Q 14.—The profits earned from the revenues of the State Railways, Posts and Telegraphs after deducting the cost of working are really a tax upon the people, as a large majority uses these utility departments This might include the monopoly profit from Tramways also Their incidence is widespread The revenue derived from telephones is an additional tax on the comparatively few rich and the commercial classes.

Q. 15—I would prefer to charge a fair commercial profit

Q. 16.—It would be unfair to tax the increase, as sufficient time should be allowed to see whether the increase is due to betterment or other causes

Q. 23—I entirely agree with this statement

Q. 24—A tax on entertainments or railway tickets would be no great economic burden upon the classes that use railways or go to entertainments

Q. 25.—Yes I would exclude it from consideration

Q. 27.—Every member of the community should pay a tax of some sort for the security to person and property which he gets from the State

Q. 28—Yes. In fact, it should form the very criterion for giving representation.

Q. 29.—My opinion is that direct taxation has always been unpopular in India where the public sense is rudimentary. But, when the sense of a citi-

taxation.

Q. 30—A poll tax would be very unpopular, but I think that the present tax on salt is, in itself, a tax upon all classes.

Q 31—The chowkidari tax is in the nature of a poll tax and should be continued as such The same remark applies to the profession tax also in the case of the lowest classes on which it is imposed.

Q. 32.—No That is the reason why I prefer their continuance in their present form.

Q 33—In the present state of economic life in India, the great question is whether some relief from the present scale of taxation may be expected in the near future. To this question the prospects of the public expenditure give a negative answer. The present level of taxation has already imposed a great burden on classes affected by the income-tax. The present scale should, therefore, be continued as they are.

Q 34—The present scale of graduation is satisfactory and should not be altered

Q. 37.—In the budget of 1920-21 the burden of the excess profits duty was removed. This was accompanied by a modification in the super-tax. The super-tax on the undivided profits of companies and firms, as it existed then, had been adversely criticised on the grounds that it gave an incentive to

was warranted by their finan-
ipanies which endeavoured to
the Government should have
e income of companies instead
of applying the higher tax to their undivided profits. The Government, therefore, have now relieved the undivided profits of companies and firms of the super-tax which ran up to three annas in the rupee and replaced it by a new form of super-tax consisting of a flat rate of one anna in the rupee, assessed upon the total income of each company in excess of Rs. 50,000. This was to be in addition to the ordinary tax, as before The super-tax on individual incomes remains unchanged. I consider this satisfactory and should be left as it is

Q. 38—I am not in favour of the removal of the exemptions given under the Act II of 1886.

Q 39.—I do not agree.

Q. 40.—I would leave it as it is.

Q. 41.—I do not agree that the objection is sound. Whatever objections might have been urged, I believe the reproach has been removed by the growth of an accountancy profession since the passing of the Indian Companies Act of 1911. Further the introduction of a centralised and a more efficient system of income-tax control has tended in a very large measure to rid the system of income-tax collection of any abuses that might have existed in the past.

Q. 47.—I am satisfied with the present arrangements in regard to the assessment of income-tax. Whether it is assessed on the previous year's income or on the average of three years' income, as in England, it does not very much matter in my opinion.

Q 48 "The aim of taxation is revenue; by confining indirect taxes to a

In the conditions existing in India at present, I should think that this is a sound maxim, and I would urge an additional reason for confining taxation as far as possible to indirect taxes. As I have already mentioned, there

is a strong prejudice in this country against direct taxes. The collection of taxes is in fact a very important factor in determining this question and unless expenditure incurred in the collection could be brought down as low as possible the very object of taxation, *viz.*, to obtain revenue is nullified.

I agree with the dictum of Armitage Smith. "The rule that necessaries should be free and that indirect taxes should fall only on luxuries is thus a counsel of perfection not always attainable, in a country where three-fourths of the population consume no luxuries, the majority can only be taxed through necessaries, and in these circumstances there is no hardship in such a tax"

This is especially true of India. But with the growth of an industrial population and the movement of people from rural to urban areas, the range of articles consumed by the majority of people becomes wider. I would, therefore, suggest that where necessaries of life are taxed at present there should be no further increase, but articles which though not necessaries in the strict sense of the term, are commonly used by all classes, new avenues of such taxation should be explored and a burden spreading over all but hitting none in particular should be devised As an illustration of this view, I might mention the case of soap. It is not an article of necessity like salt or food grain But it is commonly used by all classes. A light excise duty on such articles recommends itself to me as a sound proposition

Q. 49—Yes, I would recommend an excise duty on the articles given in your list except the following —

Candles, coal, cotton goods, matches, salt, sugar, sweets.

Q. 50—I do not think that such graduation is practicable

Q. 51.—I do not accept the statement of Jensen, quoted here, in its entirety I do not agree that "from every point of view salt is admirably adapted to be a tax-bearer" It is no doubt universally used, but the amount used by a tax-payer is not small In the case of a family consisting of children, women and others who are dependents on one or two wage-earners, the incidence per head is a fallacious theory It is really a hardship

Q 52.—I accept it is less open to evasion than any other duty

Q 53—The only figure given for an oriental country is that of Japan, *viz*, 4 annas per head per annum Compared with Austria Rs. 2-12-0, or Czecho-Slovakia Rs 1-14-0, the tax on salt in Japan is very light. That might in itself be taken as an indication of the unpopularity of the tax in the East I consider that the present tax on salt in India is high and should be lowered if possible Any increase is, on the other hand, entirely inadvisable

Q 54.—I recommend that the present system might be continued

Q. 55.—Certainly, I would advocate an extension of the monopoly system, if it would give a purer and what is very important *a cheaper article*

Q 56.—No protective duty should be levied India could be made self-supporting by demonstrating to the people that a purer and cheaper article could be manufactured locally In an article which is a necessary of life, a protective duty, even though it may be levied with the object of stimulating production, is inadvisable and unfair

Q. 58—I would advocate a uniform method of sale throughout India either by weight or by measure.

Q. 59.—I am not in favour of any steps in this direction because I am afraid the Government agency would be comparatively more costly

Q. 61—I do anticipate the introduction of a policy of total prohibition in Bihar and Orissa, if not in the whole of India My own belief is that it will come in the near future.

Q. 62.—I should prefer the scheme proposed by the Bombay Excise Committee except in two particulars, *viz.*, a succession duty and a taxation on "futures." The latter would be unfair and my reason for not approving the former will be dealt with when I come to succession duties discussed in question No. 137 *infra* In the province of Bihar and Orissa, I think the expen-

diture for the enforcement of prohibition might not be so large as the points from which import into the province should be checked could be managed by a smaller number of officials. The prevention of illicit distillation within the province could in the future be done at a lesser cost by a co-ordination of excise powers in the hands of revenue, police and forest officials

Q. 63.—I do not agree with any of these statements. I will deal with them one by one serially

(1) I do not think it is any positive good and experience confirms my view.

(2) Conditions and popular conceptions in India are different.

(3) To permit the use of an article which is definitely known to be detrimental to personal health, morals or public order is not a sound practice in any well-ordered state or society However heavy the restraint in the shape of a tax, its use could neither be checked nor its evil consequences be minimised. It will only lead to the degeneracy of the nation to encourage its use by any form of permissive legislation.

(4) The above remarks apply in this case also.

Q. 87.—I would substitute for the deficiencies in revenue arising out of the views I advocate, a tax on the following.—

Advertisements,
Armorial bearings,
Betting,
Bicycles,
Entertainments.
Motor cars,
Railway travelling,
Telephones, and
Tourists

Q 88—I have no comments to make.

Q 89.—They should be so limited as just to cover the cost of the courts including pensions of officers and capital cost of buildings.

Q. 90.—I do not agree with Hobson's view

Q. 95.—I would prefer a more general extension of the entertainments tax.

Q. 96.—A tax would vary with income and would give exemption to those who paid at a low rate. A rent is not so. From this point of view, land revenue is a rent and not a tax.

Q. 97.—There are other influences such as failure of rains, seasonal changes, climatic conditions, prevalence of epidemics, etc., which affect the prosperity of the cultivator.

Q. 98.—So far as the permanent settlement is concerned, none of these criticisms has any force from the point of view of Government.

Q. 99.—I have no views to offer regarding temporarily-settled areas.

Q. 100.—There should be no exemptions for, I believe, that exemptions would lead to fractionisation of lands. It would encourage bad farming by exempting even those who neglected the land.

Q. 101.—I do not approve of any tax on mutations. In a country like India, fractionisation must always remain where there is partition or joint family property.

Q. 102—No.

Q. 103.—No. Land revenue must in my opinion always remain with the provincial authority.

Q. 104—Dealing only with permanent settlement as in Bihar, the best method of ascertaining the incidence of land revenue would be to divide the land revenue by occupied area so that only those who are affected by the payment of such revenue might be counted in forming an estimate.

Q. 105.—I do not consider that any further taxation should be imposed.

Q. 106.—I agree.

Qs. 108 and 109—Octroi duties should be discontinued and the same remark might apply to terminal tax also But if it is decided that octroi should continue, I would suggest that it should, wherever possible, be replaced by a terminal tax. The house tax was a fairer tax than land tax. I do not think that octroi is liable to be evaded in any appreciable measure.

Q. 111.—Tolls should be abolished except where a local expenditure benefits largely people who are not otherwise contributing anything to local taxation. For example, a costly bridge constructed by a local board and largely used as a highway by traffic from other districts on the near border should be subject to a toll levied on conveyances that have not been registered or licensed within the jurisdiction of the local body In no case, should there be two tolls within a distance of less than ten miles.

Q. 112.—It should be levied in whole from the owner as it would be a difficult task for local officials to collect it from the occupier who might change frequently. The owner will always be able to shift the burden on to the occupier in the collection of house rent

Q. 113.—Political considerations play at the present moment a great part in the local bodies where the land-owning classes are in a minority and are often out-numbered in voting strength A limitation of the taxable powers of the local authority would, therefore, be necessary to protect the land-owning and house-owning classes from being subjected to uneconomic burdens of taxation levied by local bodies controlled by a prejudiced middle class I do not think that this limitation will, in any tangible degree, compel local authorities to have recourse to other forms of taxation which may be less defensible from an economic standpoint

Q. 114—I have no comments to make.

Q 115.—The rating should be on the undeveloped value and exemption should be given on improvements

Q. 117.—The contribution from the general exchequer should be in the form of grants-in-aid ear-marked for particular items of expenditure The subsidy should take into consideration the relative importance of the expenditure in the interests of a single province or of the whole country

Q 118—The control over the expenditure should, to a large extent, remain with the Government as local self-governing units in many parts of the country do not still exhibit sufficient local stimulus to ensure efficiency

Q. 119—I would recommend the introduction of taxes on hotels, mines and employers of labour

Q. 120.—(1) I do not approve of this suggestion, because it will mean an elaborate enquiry into the economic life of the villager and unless a very complicated machinery is set up it is not feasible

(2) Among the measures suggested by Prof K T Shah I am personally inclined to favour a registration fee on marriages, tax on houses, tax on motor cars and other vehicles, but I must strongly oppose an income-tax on agricultural incomes As for succession duties, I oppose them for reasons which will be given later

(3) A tax on dowries may be suitable as an alternative method of taxation, but I am not sure whether it will continue to be a source of revenue especially in view of strong social influences brought to bear against the system of dowries in general, It might be a supplementary source of income for the next ten or fifteen years.

(4) A tax on advertisements, on race horses and motor cars is in my opinion a feasible proposition

(5) I agree with Mr Vakil's suggestions An export duty on hides and skins commends itself to me as an eminently justifiable proposition from many points of view. Popular opposition will be the least in this case.

(6) I do not agree to any modification in the present method of collecting land revenue, or the abolition of the existing system

Q. 121.—As an object of taxation, I do agree that tobacco is more desirable than salt. I shall be in favour of a tax on tobacco, although I do not believe that any taxation will lead to the curtailment of consumption.

Q. 137.—I strongly oppose the imposition of any duties on inheritance or succession imposed upon personal or property value. The death duty has been pointed out by politicians as a highly successful one in western countries and it is this fact that is pointed out as a reason for the desirability of its introduction in India in preference to other new taxes. But, while upholding it, on economic and fiscal grounds, it is a painful surprise to me that economists and politicians do not take into account the peculiar circumstances existing in India. In the first place, the inheritor, if he is a Hindu, will have to perform the funeral ceremonies of the person from whom he inherits. To those acquainted with the religious practices and social usages of orthodox Hindu community it requires no argument to show that such funeral ceremonies are more often than not of a highly expensive character. Besides, the person inheriting the property will have to support the members of the joint family. Another, and a very potent objection to death or succession duties, is in the case of landed property It is sometimes found impossible to raise the amount necessary for the payment of such a tax, except by selling or mortgaging the property at a heavy loss, a contingency which no well-wisher of the people of this country can contemplate with equanimity. It is also my conviction that the levy of this tax will have to be followed by such complicated safeguards in order to restrict a transfer of real property during life by gift, or by collusive sales that the cost of this machinery will more than outweigh any revenue to be derived therefrom This tax appears to me highly objectionable on all these grounds

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Written memorandum of Mr. A. P. MIDDLETON, I.C.S., Commissioner of Income-Tax, Bihar and Orissa.

Qs 33 and 40.—If a substitute is required for other taxes that are abolished, I consider that an increase in the rates of income-tax could be usefully made because a large amount of revenue could be obtained by a comparatively slight enhancement of rates on income which can well afford to pay more. I should suggest that the 9-pie rate should end at Rs. 14,999 instead of at Rs 19,999 as at present, and the 12-pie rate apply to incomes from Rs. 15,000 to Rs. 19,999, the 15-pie rate from Rs 20,000 to Rs 29,999, the 18-pie rate [illegible]

minimum taxable income might be reduced to Rs 1,500, and in that case I would suggest a 3-pie rate on incomes of Rs 1,500 to Rs. 2,499 and the 5-pie rate from Rs. 2,500 to Rs. 4,999. But I am not sure whether this innovation would be justified by the amount of extra revenue obtained in this province. There are now 3,339 assessees with incomes between Rs. 2,000 and Rs. 2,499 and the tax collected from these is only Rs 1,47,000.

Q 34—I prefer the Indian system of graduation to the English system in which graduation is obtained by means of allowances and deductions It is simpler both for the assessee and for the assessing officer, and therefore better satisfies Adam Smith's canon of certainty or definiteness. I have heard criticisms against the Indian system on the ground that the first Rs. 2,000 of income is not exempt from assessment as in England, but it appears to me that no question of abstract justice is involved, the State having a perfect right to decide whether the minimum taxable income should be excluded altogether or should be included in the income assessed, and I think the criticism is based merely on a comparison of the law in England, without realising that the whole system of graduation is different.

Q. 35.—From my experience in this province, I do not think that any differentiation in favour of earned incomes would have much effect on the revenue. The Indians are apparently not by nature investors, and instances of a man investing his savings or inherited wealth and living on the interest (to take the simplest case of unearned income) are very rare. There would also be practical difficulties as in many Hindu joint family businesses, the head of the family is in the position of having invested all his money in a business now entirely managed by his descendants and takes no part in the management or in the earning of the profits, though his capital is invested. If any differentiation were attempted it would, I think, be very difficult to frame rules or legislation which would cover all the cases likely to occur.

Q. 36.—I regard it as quite impracticable to make provision for allowances for the number of persons supported out of a particular income. Indian customs are such that no assessing officer could possibly verify the claims and there would be endless frauds on the State.

Q. 38.—In my opinion Section 2 (1) (a) should be repealed; this would have the effect of taxing the receiver of rent or revenue derived from land, but not the actual cultivators. I consider that there is no sufficient justification for the exemption which is now given, and perhaps there is none for the exemption which I propose for the actual cultivators. But there is a practical reason that even amongst cultivators who make net profits of Rs. 2,000 in the year from cultivation the majority are not at present sufficiently literate to keep accounts from which their true income could be ascertained. For instance, most cultivators would have the greatest difficulty in proving what proportion of any loan was taken for agricultural purposes, so that interest would be deductible from their gross profits under Section 10 (2) (iii), and what proportion was borrowed for purposes other than agriculture. If the receiver of rent or revenue is liable to taxation on such income, I consider that he should be allowed to set off against his profits, his land revenue and any sums spent on the development of his estate or for the benefit of his tenants. To effect this, some amendment of the law would be necessary either under Section 10 if the income is taxable as a business, or Section 12, if it is taxable as income from other sources. There may, however, be political reasons for not abolishing the existing exemption; for instance, if a no-rent campaign were ever actually started and became effectual, there would either be no rent to tax or it would be most undesirable for Government to antagonise the landlords. I am unable to give any estimate of the number of persons receiving rent who would become liable to taxation under these proposals.

Q. 41.—The growth of the accountancy profession hardly affects this province where the majority of the business assessees are Indian traders who keep accounts in the vernacular and do not have them audited. But I do not believe that the Indian income-tax is any more or any less than in other places a tax on honesty, and certainly with the reorganisation of the Income-tax Department and with a better class of assessing officers able to read vernacular accounts, the dishonest traders have much less chance of escaping proper assessment and I believe they are beginning to realise this themselves. There must always be great temptation to manipulate accounts, if not to forge them, and I understand that India is not the only country in which people succumb to this temptation; but the popular belief that every trader has two or more sets of accounts does not seem to me to be justified by the facts. I have heard people say that the Indian traders keep one set of accounts for the Income-tax Department, and another for the Civil Court, another for his partners, and fourth set, the only true one, for himself. But I think that people who make such statements fail to realize the amount of work involved in keeping up even one complete set of accounts for a business of some dimensions.

Q. 42.—I [illegible]
in all cases o[illegible]
have not bee[illegible]
As a matter [illegible]
rule directs the assessee who does not keep accounts on the mercantile system

to file a statement showing how he arrives at the taxable profits shown in the return *i e.*, details of gross receipt and of the expenditure claimed to be set off. In this province, I have introduced a simple form containing columns for various commodities; for opening balance, purchases, sales, closing balance, gross profits or loss, claims for expenditure, depreciation, etc. I do not suggest that such a simple form would be sufficient generally, but I am quite certain that some such form is of great assistance to the assessing officer and appears to be welcomed by the less literate assessees.

Q. 43.—Possibly publicity is theoretically desirable and Adam Smith's canon of certainty is generally interpreted to mean both definiteness and publicity but I do not think it is practicable to depart from the hitherto acknowledged principle of this country that income-tax records are confidential. To do so would be to give rise to a regular army of spies and informers, and to counteract these, I believe that there would be a great increase in attempts at wholesale evasion by every means possible.

Q. 47.—I consider that the Indian system of assessment on the previous year's income is preferable to the English system of assessment on the three years' average One clear advantage is that a man who has had a prosperous year is taxed when he is best able to pay, and thus Adam Smith's canon of convenience is satisfied. A possible objection is that an assessee may find it easier to conceal the profits of a single year than when an average is taken. but I think the existing law meets that objection. The accounts of three years prior to the year under assessment can, if necessary, be called for and income which has escaped assessment in any one year can be assessed at any time before the close of the year after that in which it ought to have been assessed.

Written memorandum of the Bihar Landholders Association, Patna.

The Committee wishes to confine its remarks chiefly to landed interests which it has the honour to represent. The Committee is really surprised at the astounding suggestion made by some witnesses before the Taxation Enquiry

Any direct or indirect tampering with the terms of the permanent settle-

administration of the Government, and its disastrous consequences may better be imagined than described.

When the permanent settlement was made, the Government made the best possible bargain with the zamindars who on the faith of the permanency and fixity of the revenue demand, then pledged under the law, were induced to spend very large amounts of funds on reclamation, improvement, etc., of the land, and for some years, following the settlement, they lost heavily on that account. The condition of the tenants has greatly improved on account of the permanent settlement, as it has given them fixity of tenancy and rent. On account of the rise in prices of all commodities and necessities of life, condition of zamindars has become highly worse Many of them are highly indebted and large numbers of the estates have changed, and are changing, hands, because the rents they receive from their tenants being mostly in cash are generally fixed in a way. Thus they receive from them generally the same amount of rent as in pre-war days, although their expenses have increased

fourfold. The zamindars have always been pioneers in spread of education, ... works and have always taken the lead ... of the public. They are ... country, and at the time ... ervices by marked contribution both in money and men. The zamindars' resources are thus already heavily taxed in various ways and any further burden imposed upon them would simply paralyze this law abiding and loyal class. As said above, the zamindars are maintaining and helping schools, colleges, hospitals, almshouses, orphanages, etc., and thus they are making the best use of what little saving they anyhow make out at these hard times. They remit large amounts of arrears of rent to their tenants every year and help them in vari-

and sacred pledge of the Permanent Settlement law, if any land tax is imposed against which this Committee enters strong and emphatic protest.

This Committee further opposes the proposal of death duty and increase in income-tax because the former is quite unjustifiable, while the latter would prove a ruinous burden, as the limit of taxation in the matter of income-tax has already been exceeded.

The Committee begs to point out that there is no objection in taxing the articles of luxury, such as tobacco and in increasing duty on such articles of luxury as cigarettes, foreign spirit, etc.

16th March 1925.

CALCUTTA.

PRESENT

SIR CHARLES TODHUNTER, K.C.S.I., I.C.S., *President*

SIR BIJAY CHAND MAHTAB, G.C.I.E., K.C.S.I., I.O.M., Maharajadhiraja Bahadur of Burdwan

Sir PERCY THOMPSON, K.B.E., C.B.

The Hon'ble Sardar JOGENDRA SINGH.

Dr. R. P. PARANJPYE.

Professor J. C. DASS GUPTA, M.A., Professor of Economics, Krishnath College, Berhampore, was examined.

Written memorandum of Prof. Dass Gupta

Qs. 1-9.—The burden of taxation can only be judged with reference to the taxable capacity of the people. Sir Josiah Stamp brings out clearly in his book on 'Wealth and Taxable Capacity' that estimates of the amount of the national capital, the national income and the way in which they are distributed are essential preliminaries to any consideration of taxable capacity. The difference between the total quantity of production and the total quantity of consumption gives us the measure of the taxable capacity of a country. It is thus felt that a census of production for the whole of India is of fundamental importance for any enquiry into the incidence of taxation in India.

Statistics of area and yield of the principal crops in India are, except probably for tea and cotton, admittedly faulty and they cannot form the basis of any accurate estimate of the wealth of the country. India spends her money quite lavishly on Committees and Commissions and the question of cost

should not stand in the way of an enquiry of such great importance to the economic life of the nation.

No great reliance can be placed on the existing estimates of wealth and income of India (Annexure B) based as they are on unreliable statistics; but taking them as they are (especially the pre-war figures) they show that it should not be fair to compare the incidence of taxation in India with that of other countries without a proper determination of the taxable capacity of the people

Statistics, however perfected, soon get antiquated; I should, therefore, think that legislation of the type proposed in question No. 6 of the Questionnaire is desirable. Such statistics will serve as useful indicators of our relative economic prosperity or otherwise even if they are of no great direct importance for an estimate of the incidence of taxation

Qs 13-15.—"The public financier" observes Prof. Ely "in adjusting the charges must not look to profit. His only aim is the *Salus Populi*, and this policy requires here a prohibitive price, there a cost price and again free service" But whenever a charge higher than cost price is taken, an element of taxation may be said to exist.

In a country like India where the mobility of labour is relatively very [illegible] ...engers ...y poor ... Post ...d poor ... Tele- ...engers [illegible] upon these high rates containing element of taxation may, with advantage, be levied

If the Government leaves exchange to find its own level and gives up all attempts to stabilise the rupee in terms of foreign currencies, profits on coinage or exchange should be regarded as involving taxation. If, on the other hand, Government builds up reserves and utilizes such profits for the maintenance of exchange it would be an error to regard such profit as taxes.

Charges for water should, in a country like India where 71 per cent of the population depend on agriculture and where the agriculturists are mostly very poor, cover only the cost of supply including, of course, the interest on capital invested.

Qs 21-25 and 50—A tax may be regarded as voluntarily paid only when a man has the power to choose "how far he will use the commodity which is [illegible] ... tarily paid.

It is important to emphasise here what has been pointed out in question No. 50, *viz.*, that the progressive principle should, as far as practicable, be applied to such indirect taxation This will relieve the burden on the comparatively poorer sections of the community.

A distinction should for such purposes be drawn between higher and inferior grades of goods.

Q. 26—The tax system of India instead of being progressive was in pre-[illegible], the richer classes did not contribute ... te expenditure. Thanks to the war, ... tax system. War time changes have ...ation more equitable than before but much remains still to be done.

A glance at Annexure E (Q 33) makes it abundantly plain that even now persons with incomes between £1,000 and £100,000 in India do not contribute sufficiently to the public fund, judged by foreign standards.

... population such taxes ... They contribute a large part of the revenues derived from railways, irrigation works and post office. The dread in the minds of the people that the findings of the present Taxation Enquiry Committee will lead to the imposition of heavier burdens on the voiceless, half-fed and ill-fed portions of people is thus not entirely unnatural. The anomalies of the system will be clear if we remember that while poor and heavily indebted agriculturists pay taxes on their agricultural income, people who are much better off (*c f.* the money-lender) are often let off without any direct income-tax payments.

A forward policy in respect of education, sanitation, irrigation and industrial development is being urged on the Government and there can be little doubt that the inevitable accompaniment of greater State activity in these departments will be larger State expenditure. To obtain the necessary revenues, the present level of taxation will have not only to be kept up but also to be raised higher. Should such increased revenues be necessary, equity in taxation demands that taxes taken from different classes should, as far as practicable, be proportionate to their abilities. This will imply a thorough reform of most of our old taxes, *e.g.*, income-tax, land revenue and salt tax, as also the imposition of new ones.

To turn now to the question of reforms:—

Qs. 35-43.—First, with reference to income-tax some of the following features may be profitably introduced:—

(*a*) Having regard to the fact that the payer of land revenue enjoys no exemptions it is proper to reduce the Indian exemption limit to Rs 1,000 as in 1903 (*Q. 40*)

(*b*) Agricultural incomes beyond a certain limit should be taxed in the same manner as industrial and commercial incomes (Q 39)

(*c*) The Indian super-tax on Companies should be reimposed in a milder form; small businesses may be exempted, a standard rate of profit (say 12½ per cent on capital) may likewise be exempted and finally deductions may be made for repairs, renewals, etc. (Q. 37)

(*d*) A distinction should be drawn between earned incomes and unearned incomes and former types should be subjected to taxation at a lower rate than the latter ones. (Q. 35)

(*e*) The present scheme of graduation is unduly hard upon the middle class people in India. Relief should be given to such people by means of allowances which prevail in England and elsewhere, *e g*,

- (i) Deductions should be made for the maintenance and education of children
- (ii) Provident fund contributions should in all cases be exempt from taxation (not as now of only those who are in Government employ)
- (iii) A certain part of the income (varying with different professions) may be exempted from tax

(*f*) The employment of non-official assessors and commissioners is likely to reduce cases of income-tax evasion (Q 43).

Qs. 51-59.—To come next to the question of salt tax it may be *admitted as has been suggested in questions Nos. 51 and 52 that "it would be difficult to devise any other duty of general incidence less oppressive and less open to evasion"* When we remember, however, that the average earnings of poor people in India are extremely low and that increases in salt duty have invariably affected consumption adversely, it becomes clear that salt duty in India, though nominally not much higher than in some countries, is relatively a very heavy burden on the poor If the duty on salt has to be retained on account of the financial exigencies of the State the duty should be kept at as low a level as possible.

Q.—Again with regard to water-rates, you say that the rates should only cover the cost of supply?

A.—Yes, including the interest on capital invested.

Q.—But is not the feature of the water-rate that you are using the capital derived from the general body of tax-payers for the benefit of a comparatively small number of persons?

A.—Not a small number of persons, there are a large number of them.

Q.—But a particular water scheme would benefit only the people living very near the irrigation scheme?

A.—Irrigation schemes are being multiplied now-a-days and they are likely to increase in future. So more people will be benefited by them.

Sir Percy Thompson. *Q.*—They won't all be benefited, will they? Should you charge the people who are not benefited?

A.—Yes, because agricultural prosperity indirectly benefits all people.

The President. *Q.*—Don't you think that people who are deriving the benefit from a particular water scheme and derive profit from it, ought to pay more than what you have put down?

A.—No, nothing more than the cost of supply, including the interest on capital and other necessary charges of a running concern.

Q.—Should not the Government charge as for a commercial commodity?

A.—No, irrigation projects have, to a large extent, been constructed to mitigate the rigours of famine, and in the interests of poor agriculturists.

The Maharajadhiraja Bahadur of Burdwan. *Q.*—Can you point out to me which schemes in Bengal were really started to mitigate famine? With the exception of one or two you will find that there are no such actual irrigation projects which were constructed for the mitigation of famine, as you will find in the Punjab. Therefore, what the President and Sir Percy Thompson have in mind is, whether or not in these areas, where you have these irrigation schemes, and people are deriving profit out of them, they should pay a betterment tax.

A.—No, because they pay a betterment tax by way of increased land revenue.

Dr Paranjpye. *Q.*—When they do not pay increased land revenue owing to the permanent settlement, don't you think that there is every reason for Government to consider the possibilities of a betterment tax where it is possible, as in an irrigation scheme?

A.—In Bengal probably it might be imposed.

The President. *Q.*—Do you think the Government would be justified in doing so?

A.—Yes, in Bengal.

Sir Percy Thompson. *Q.*—Is not the fact that in temporarily-settled areas, Government can get only 50 per cent of the increase?

A.—But we often find it mentioned that the Saharanpur rules are not acted upon, and that people have been paying more than 50 per cent of the net assets.

Q.—Is it true?

A.—To disprove it, you must make an economic investigation.

The President. *Q.*—Can you tell us any place where the land revenue exceeds 50 per cent?

A.—I am afraid I am not sufficiently familiar with the conditions of Northern India to tell you this.

Q.—You say there was one good result of the war, that it has altered the general incidence of taxation, but you still require more reforms?

A.—Yes.

Sir Percy Thompson. *Q.*—You say that the first reform with reference to income-tax should be to reduce the Indian exemption limit to Rs. 1,000. What has the analogy of land revenue got to do with this?

A.—My point is this. That poor agricultrists are very heavily taxed, but the middle class people or rich people,—(people with a thousand rupees income might be considered middle class here)—may be more highly taxed while the agriculturists should be relieved of a portion of the burden on them.

Q.—Do you regard land revenue as a tax and not a rent?

A.—Yes, it is a tax on agricultural incomes and I think, it should be definitely classed as a tax.

Q.—With regard to the reduction of the income-tax limit of Rs. 2,000, if it was found that the increase in the yield would be very small and the cost of collection involving the enlargement of the income-tax machine would be very large, would you still say that the limit should be lowered?

A.—But income-tax used to be levied on an income of a thousand rupees before 1919

Q.—Was it levied in a very efficient manner?

A.—You know that best, but if you have, as you have now, elaborate income-tax return forms, I think, there will be small possibility of evasion.

Q.—But if you had to provide, in order to get a fairly close collection, a very big income-tax machinery, at least double that of the present, would it be worth while?

A.—Certainly not.

Q.—As a matter of fact, we were told in the Punjab that if you reduce the exemption limit to a thousand rupees you may have just double the number of income-tax payers and still the additional yield of revenue would be very small.

A.—If the cost of collection eats up the whole amount of yield, I will not advocate it.

Q.—I do not say the whole amount, but it will eat up a very large proportion

A.—It should be decided by administrative experts whether from the cost of collection point of view it is worth while to reduce the exemption limit I am only speaking from a theoretical point of view

Q.—Then, you say that agricultural incomes beyond a certain limit should be taxed in the same manner as industrial and commercial incomes I am surprised you say that, for if you think land revenue is a tax, why should a man pay a further tax?

A.—He should, because the tax has been, in many cases, extinguished. I am referring here particularly to Bengal Bengal has got a permanent settlement, and the question of the Bengal landholder certainly stands on a different footing from that of others

Q.—Then you mean that you would apply this income-tax to the large incomes of Bengal and not apply it elsewhere where there is a temporary settlement?

A.—I should think so

Q.—Then surely if you put a differential tax on Bengal, that would be simply going back on the permanent settlement

A.—The permanent settlement can hardly be pleaded as a bar against the imposition of new general taxes.

Q.—How do you justify that if you have it only in Bengal? You make in a differential tax, which would mean a tax in consideration of the fact that there is permanent settlement. Surely, it will amount to another way of increasing the land revenue by the back door

A.—Justifiable or not, the exigencies of Bengal revenue would require this reform sooner or later

Q.—Have you considered the practical difficulties in charging a tax on the profits in excess of a certain percentage on capital? How are you going to get at the capital?

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A.—Justifiable or not, the exigencies of Bengal revenue would require this reform sooner or later

Q.—Have you considered the practical difficulties in charging a tax on the profits in excess of a certain percentage on capital? How are you going to get at the capital?

A.—I think the capital of most of the joint stock companies can be easily ascertained.

Q.—No. Supposing I form a company with a capital of a hundred thousand rupees, there is no reason why I should not put the nominal capital at any figure I like, say, a million rupees Surely, if you have a tax on profits in excess of 12½ per cent on the capital, people will water capital

A.—The Government could devise means to stop the watering of the capital in that way

Q.—This is one of the reasons why it was found in the United Kingdom and United States of America one of the most difficult things which was ever tried. That was the main reason why it was abandoned in America.

A.—Did not the excess profits duty yield a very large amount during the war?

Q.—It did. But not necessarily from the companies. The main difficulty was to ascertain the real capital of the company.

Dr. Paranjpye. *Q.*—That would be solved if you take the paid-up capital of the company?

A.—Yes, I think that would simplify the problem.

Sir Percy Thompson. *Q.*—But why do you consider there is a ground at all for a differential rate on the profits of companies? Why should companies be charged more than the individual?

A.—Because the companies enjoy more privileges than the private individuals

Q.—*What privileges do they enjoy?*

A.—The privileges of the companies have been put down in the Indian Companies Act

Q.—But they have the corresponding liabilities such as that of publishing balance sheets, etc.

Dr Paranjpye.—They have the advantage of limited liability.

Sir Percy Thompson. *Q.*—On the other hand, it restricts their credit *pro tanto*

A.—Similarly their liabilities are restricted.

Q.—In your answer, sub-paragraph (*d*), on page 187, you say that a distinction should be drawn between earned incomes and unearned incomes, and that the former type should be subjected to taxation at a lower rate than the latter. I think most people would agree with you in theory at any rate, but is there a sufficient amount of unearned income in India to make it worth while?

A.—About the total quantity of assessable unearned income, I cannot tell you, but in India people paying income-tax feel that they have to pay income-tax on every pie they earn If one-tenth of the assessable income were left free, there would be less hardship on the middle class people

Q.—Don't you think it pedantic to do this when the vast amount of unearned incomes is not taxed at all, namely, agricultural rent?

A.—I believe unearned incomes should be taxed wherever possible and for the earned incomes you should grant certain exemptions.

Q.—I thought you were going to apply that only in the case of Bengal, as it has got a permanent settlement

A.—Indeed, the Bengal landlords may be more justly taxed than those elsewhere.

Q.—You mean to say that you are going to subject the Bengal landlords to income-tax; are you going to subject all the landlords or only the Bengal landlords?

A.—They should pay, wherever it can be shown that there is a large amount of unearned increment.

Q.—But on your own showing it is already taxed to the extent of 50 per cent by means of land revenue. What you said first was that you will tax

only the Bengal landlords, now you say that you will tax all. What justification is there to subject those rents to further taxation by way of income-tax when they are already subjected to 50 per cent by way of land revenue?

A.—When the agricultural income is small as in the case of poor agriculturists, such incomes might be exempted from any further taxation, but I do not plead for exemption in favour of high agricultural incomes.

Q.—I am not considering him at all, but I am considering the landlord in the United Provinces with a rent roll of a lakh of rupees. Are you going to tax him or not?

A.—I think he should also be taxed.

Q.—How do you justify that when he is already taxed by the way of 50 per cent land revenue?

A.—There is often a large amount of unearned increment between one settlement and another. Further, it is not always that the landlord is taxed to the extent of 50 per cent. Unless one can show that there is a considerable amount of unearned agricultural income, I believe, there is no ground for taxation at all.

The President Q.—Your position is that landlords' rents are unearned incomes and that they have enjoyed continuously increasing income?

A.—Yes

Sir Percy Thompson Q.—But what I say is that you have already taxed it by means of land revenue at 50 per cent.

The President. Q.—Particularly in the case of landlords it does not amount to 50 per cent.

A.—Yes.

Sir Percy Thompson Q.—What I understood from you was that you advocated a tax on agricultural incomes only in Bengal due to the permanent settlement, and not elsewhere. Now, is the rate of land revenue which is applied to rent different to the rate of land revenue which is applied to raiyatwari lands?

A.—I believe raiyatwari lands pay relatively higher amount of land revenue

Q.—Then with regard to No. (iii) under (e) on page 187, you say that a certain part of the income may be exempted from tax. Why varying with different professions?

A.—That occurred to me when I was reading your annexure where I found in France they have different rates of exemptions for people of different professions. In France they have different rates of exemptions. The English system of exempting one-tenth of the earned income from taxation is simpler.

The President Q.—You are thinking of the schedular taxes in France which are taxes at different rates?

A.—Yes

Q.—You find that increases in salt duty have invariably affected consumption adversely, have you any figures to demonstrate that?

A.—I found figures illustrating that point in Professor Vakil's book

Q.—You have nothing more than that?

A.—No.

Q.—On the question of excise, you suggest that the proposals of the Bombay Excise Committee deserve the special consideration of this Committee, but would you recommend the application of those proposals to Bengal?

A.—Yes, specially, the entertainments tax, and the tax on betting

Q.—You are in favour of succession duty?

A.—Yes

Q.—A totalizator duty, that is a betting tax?

A.—Yes.

Q.—How would you apply the taxation of futures?

A.—I am afraid I am not in position to say anything off-hand on that.

Q.—Do you recommend an increase in the local fund cess in Bengal?

A.—If the allotment is given over to local authorities.

Q.—This is to replace the excise which is a provincial source of revenue.

A.—I should not recommend it if the realizations are given over to Government.

Q.—You recommend a tobacco tax?

A.—Yes.

Q.—Would you recommend the employee tax, transit tax, and terminal tax?

A.—No.

Q.—Then you reject most of the proposals of the Bombay Excise Committee?

A.—Out of eight proposed I am specially in favour of four, *viz.*, the entertainments tax, the betting tax, death duties and tobacco tax.

Q.—Do you think these four between them would replace the Bengal excise revenue?

A.—Professor Shirras in his book says that in New South Wales with a population of nearly 2 millions, so much as £600,000 was realized from the betting tax alone. Entertainment tax yielded an income of Rs 9½ lakhs in Bombay.

Q.—Presumably a large number of these 2 millions betted. Would the proportion of betting men to the population of Bengal be the same as it is in the case of New South Wales?

A.—It is very largely on the increase in Bengal.

Dr. Paranjpye. *Q.*—In Bengal, I suppose there is racing only in Calcutta and nowhere else.

A.—Yes, racing takes place only in big towns.

The President. *Q.*—Would it be possible to realize a tax that would amount to something over a crore of rupees?

A.—I have proposed four taxes; if the yield is insufficient, other taxes might be imposed.

Q.—Can you tell us what the excise revenue of Bengal is?

A.—No, not exactly, off-hand.

Q.—You have not thought out what you are going to realize from the four taxes you recommend?

A.—I believe the four taxes might make up a considerable part of the loss caused by the abolition of one. If facts show otherwise, other taxes might be imposed.

The Maharajadhiraja Bahadur of Burdwan. *Q.*—You say that holdings in India are notoriously uneconomic. When you wrote that, did you have the holdings in Bengal in mind or those in other parts of India?

A.—I had the holdings in other parts of India especially in mind.

Q.—Why? You belong to Bengal.

A.—As Professor of Economics, I have to deal with holdings all over India.

Q.—Are the holdings in your province economic?

A.—In my province also, most of the holdings are not economic.

Q.—Therefore, you say that the cultivator has to supplement his small agricultural income by work elsewhere?

A.—Yes.

Q.—You point out that a tax of 60 to 70 per cent acts as a crushing burden on the agricultural industry. Can you give us an instance in Bengal where the tax on land is so much as 60 to 70 per cent?

A.—In Bengal we have the permanent settlement.

Q—In the original permanent settlement it is possible that the biggest zamindar paid that. Can you tell us an instance where the tax is 60 to 70 per cent? We have been told that in other places it does not come to more than 45 per cent. The actual tenant pays not infrequently a rent as high as that even in Bengal.

A.—Professor Kale holds that this is so even in Madras and Bombay. (*Cf.* page 529, Kale's Indian Economics.)

Q—Your information is borrowed You have no actual knowledge whether the tax is actually 60 to 70 per cent?

A—Yes, I have not personally verified the figure

Q—You say that the granting of exemptions in favour of agricultural incomes as in the case of incomes derived from other sources seems to be a much-needed improvement. What kind of exemptions do you propose? Is it your idea that in the case of land revenue, as in the case of income-tax, nobody getting below a certain figure should pay land revenue?

A.—Yes.

Q.—A man should enjoy land without paying any tax?

A.—Yes.

The President. *Q*—Have you seen the Punjab Money-lenders' Registration Bill? It was introduced by a non-official member and in the Statement of Objects and Reasons on that Bill, he has said that the value of land is 30 times the land revenue paid on it

A.—That is so; but not necessarily because of high agricultural yield.

Sir Percy Thompson. *Q*—The tax of 60 per cent to 70 per cent you refer to is on his surplus?

A—Yes.

Q—What is rent?

A.—Rent is the surplus over the cost of production

Q.—In most countries land pays rent?

A—Yes

Q—How do you suggest that when a landowner takes 100 per cent of the surplus, it is not a crushing burden on the agricultural industry, but when the State takes 60 to 70 per cent, it is a crushing burden?

A.—The burden would be intolerable even if landlords were to take as much as 100 per cent.

Q—They do so all the world over.

A—At least in Bengal they cannot do so

Q—Here in India the tenant is much better off than he is in most countries where rent is not in any way controlled But in most countries the landlord takes 100 per cent of the surplus, and it is not called a crushing burden, why is it a crushing burden here when the State takes 60 to 70 per cent?

A.—The average income here is very low. The ability to contribute to taxes depends on the taxable capacity of the cultivator.

Q—It has nothing to do with it Rent is a charge for the use of the land and, so long as it is less than 100 per cent of the surplus, it is what everybody pays all the world over.

A—In Bengal the Government has not seem it fit to impose the tax at that high rate

Q.—That only goes to show that because rents are controlled in Bengal, the cultivator in Bengal is better off than he is in other countries where the landlord takes 100 per cent on the surplus

A.—It is not always a surplus, because cultivators in India are mostly in a condition of indebtedness.

Q.—A surplus is a surplus quite irrespective of the conditions of the cultivator. If you take a person who holds a piece of land and if you are going to make revenue an income-tax, it is quite a different matter; but land revenue as such is simply a certain proportion of the surplus and you cannot call it a crushing burden in consideration of the fact that in most places 100 per cent is taken.

A.—I repeat I cannot look upon it as a tax on a surplus.

Dr. Paranjpye. Q.—You make a remark that land revenue blocks all possibilities of agricultural improvements Do you know that according to the settlement rules improvements are not taken into account in regulating the assessment?

A—That is so, but all the same, land revenue assessment is made on executive authority and there is no appeal against the decision of the executive officers.

The President Q—Are you not aware of the fact that thousands of appeals are filed against the Settlement Officer's orders?

A.—Where an enhancement of land revenue is made by a Settlement Officer, there is no appeal

Q.—I can show you that there are thousands of appeals.

A—True, appeals may be made to a higher Settlement Official, or finally, to the Board of Revenue, but appeals are not heard by any independent body

Q.—Whom will you have them heard by?

A.—By any independent court.

Q—You suggest that any appeal to a higher authority in the same department precludes the idea of a fair hearing.

A.—That is my idea

Q—Can you refer us to any system which corresponds to what you recommend in any other country in the world?

Sir Percy Thompson. Q.—In the English system you have 700 different Boards of unpaid Commissioners who hear Income-tax appeals. They are people who are respected by the tax-payers and the latter are willing that the appeals should be decided by them No other country in the world has got that, do you suggest that you would get such Boards in India?

A.—If several people can be got to work as Honorary Magistrates, I do not see why people cannot be got to do honorary work for the Income-tax Department.

Q. Do you think that the income-tax payers in this country would be willing that their private affairs, such as their liabilities and incomes, should be disclosed to any Board, however constituted?

A.—There might be some opposition initially, but people would gradually get accustomed to them.

Q—Do you think that they would like that the information they give to the income-tax authorities should be passed on to third parties?

A.—That they should not like such a thing is natural and I believe that is the case everywhere; but non-officials might be associated with the Income-tax Department in hearing cases of appeal.

Dr. Paranjpye. Q.—Is there complete satisfaction with the work performed by Honorary Magistrates?

A.—I do not suppose there is complete satisfaction, but all the same they are doing work. I do not want that honorary people should be entrusted with the whole work, they might be associated with the people of the department.

The President Q—Would you describe the hearing of appeals by Rating Committees of Municipalities as highly satisfactory and efficient?

A—At least they do not lead to much hardship to the appellant.

Q—But do they lead to satisfaction to the revenue?

A.—I should think so.

Q.—We have a witness following you (Professor Batheja) who has had considerable experience of municipal work. He says that all local assessments should be carried out by independent officers under central control. *His experience of such a system is the exact opposite of yours.*

We now come to the excise duties you suggest. You agree that excise duties might be levied on aerated waters, perfumery, patent medicines and manufactured tobacco. Is sufficient use being made of candles to make an excise on them worthwhile?

A.—My point was that if taxes were imposed on candles they could be justified, inasmuch they are used to a larger extent by the richer people than by the poorer.

Q.—Are they used by a sufficient number to make the tax worthwhile collecting?

A.—I have no figures to substantiate it

Q.—A tax on precious stones would amount to putting a special tax on goldsmiths and jewellers?

A.—Yes

Q.—You propose a tax on bicycles. Would not that be hard on the lower middle class?

A.—It would mean some hardship, but seeing that poor people are taxed, middle class people should not grudge to pay the tax.

Q.—What sort of a rate would you put on a bicycle?

A.—A very small rate.

Q.—Would not the import duties be sufficient? No bicycles are made in India, I believe?

A.—No.

Q.—You would tax telegrams and telephones?

A.—Some commercial profit might be made from them

Q.—Actually the Telegraph Department is not working at a profit.

A.—I find that as much as 57 lakhs of rupees was made in the year 1921-22 by the Posts and Telegraph Department

Q.—Would you increase the charges in order to convert that loss into a profit?

A.—Yes; for telegrams and telephones, the charges must be higher.

Q.—On telephones, is there not already a royalty levied?

A.—Yes.

Q.—Would you put on higher rates in order to increase that royalty? *Is there not the suggestion that a large number of people have been giving them up because the rate was raised above the point of maximum return?*

A.—Yes I think so My point is that no revenue should ordinarily be expected from such services, but if any revenue is to be derived from these services, it ought to be taken from telephones and telegraphs, rather than from postal and money order rates

Q.—Then you suggest a tax on dowries How do you ascertain the dowries?

A.—They are things very well known in every locality The local police station might be depended on for the information

Q.—You require every person who is marrying his daughter to register the amount of dowry he is giving at the local police-station? Is that your suggestion?

A.—Yes

Q.—How much per cent would you take of the dowry?

A.—On any progressive scale which the income-tax experts might fix.

Dr. Paranjpye *Q*.—Would there not be the tendency to shift the tax to the party that pays the dowry?

Q.—A surplus is a surplus quite irrespective of the conditions of the cultivator. If you take a person who holds a piece of land and if you are going to make revenue an income-tax, it is quite a different matter; but land revenue as such is simply a certain proportion of the surplus and you cannot call it a crushing burden in consideration of the fact that in most places 100 per cent is taken.

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A.—Yes.

Q.—How much per cent would you take of the dowry?

A.—On any progressive scale which the income-tax experts might fix.

Dr. Paranjpye. *Q.*—Would there not be the tendency to shift the tax to the party that pays the dowry?

A.—It might not be so; it might be shifted to the party that receives it.

Q.—Suppose there is a demand for bridegrooms and the bridegroom asks a dowry of Rs 5,000. Now suppose there is a tax of Rs. 1,000 on the dowry. Will not the bridegroom exact the Rs 6,000 from the other party?

A.—He may if the tax is as high as Rs 1,000.

Q.—Suppose it is Rs. 200 Would it not be one of the conditions of the negotiations that the tax on the dowry also should be paid by the bride's party?

A.—Yes, even if the tax be as high as Rs. 200 on Rs. 5,000. But if the tax is low, say, only Rs. 10, the tax is not likely to be shifted.

Q.—Would you be in favour of a registration fee on all marriages—a small fee for registration and not a tax on dowries? Because it would also be of some service to the parties, in that it would be a definite proof of the marriage for purposes of inheritance and so on

A.—A flat duty of a rupee or two would mean a great hardship on the poor people.

Q.—How much do poor people spend on marriages?

A.—Even the poorest man spends at least Rs. 20 or Rs. 30.

Q.—Then would a rupee be too much in his case?

A.—I think it would.

The Hon'ble Sardar Jogendra Singh *Q.*—You have not really any practical experience of land revenue in your province or elsewhere, or of income-tax.

A.—True, I have had little opportunities of studying them from the practical standpoint

Q.—Then your recommendations are purely from a theoretical standpoint?

A.—Yes, they are mostly based on general principles of taxation.

Q.—And your idea is that in the matter of land revenue where the holdings are small, there should be certain exemptions?

A.—Yes.

Q.—And in the case of income-tax, there should be graduations and abatements as in other countries?

A.—Yes

Q.—You would not charge water-rate on commercial lines? You would just make both ends meet?

A.—Yes

Q.—What do you mean by "applying a progressive principle of taxation" to land revenue referred to in your answer to questions Nos. 21—25 and 50? You say "it is important to emphasise here what has been pointed out in question No. 50, viz., that the progressive principle should, as far as practicable, be applied to such indirect taxation".

A.—That is, for instance, better kinds of cigarettes should be subject to taxation at a higher rate

Q.—Then in answer to question No. 26, you say that the rich people are not contributing their share and so on. Is it your considered opinion that the accumulation of capital in India has gone to such an extent that you could effectively keep on the super-tax? It is a question of the needs of the country. You think there is sufficient accumulation of capital in the country to allow whatever wealth there is in the country to be taxed, purely from the point of view of the people? From a general knowledge, can you say that time has arrived when you can, in the interests of the country, impose a higher tax and thus prevent accumulation of capital?

A.—Yes, I think the super-tax should be retained.

Dr. Paranjpye. *Q.*—Your opinion is that it is much better that the wealth of the country should be evenly distributed than it should be accumulated in the hands of a few who do not know how to use it properly?

A.—Yes.

The Hon'ble Sardar Jogendra Singh. *Q.*—As to the question of distribution, would you have the wealth to be used as a productive element, or would you distribute whatever you have and stop the productive work?

A.—Certainly, you should not attempt such equalisation as would stop all production; but all the same, we should aim at a better distribution of wealth.

Sir Percy Thompson *Q*—Which do you think helps production—capital, which is left in the hands of a very rich man or which is taken by way of taxation and spent on production?

A.—I should think that capital spent on production is likely to be more remunerative

The Hon'ble Sardar Jogendra Singh *Q*—In the hands of the Government as it is constituted in India or in the hands of private people? Will the wealth be more productive in the hands of the Government as constituted at present or in the hands of the people?

A—In the hands of the people, I should think

Q—Then in answer to questions Nos 33—43, you say "agricultural incomes beyond a certain limit should be taxed in the same manner as industrial and commercial incomes" As Sir Percy Thompson has clearly put it, when they are already taxed up to 50 per cent, would you impose another tax on them and introduce an inequality in the matter of land?

A.—I repeat what I said with regard to Bengal the assessment is not as high as 50 per cent, and hence another tax might be imposed

Q.—You have no knowledge about other provinces?

A.—No

Q.—In the interests of agriculture, do you think that the rate of taxation should be reduced and brought on a level with the other taxes?

A—I should think so.

The President. *Q.*—In the case of raiyatwari land, is the taxation on rent?

A—The taxation is probably on rent, but it often tends to encroach on the wages of the agriculturists

Q—But is the tax fixed with reference to the rent at all?

A.—It is sometimes so and sometimes not so. Every piece of land does not yield economic rent.

The Hon'ble Sardar Jogendra Singh. *Q.*—In the matter of uneconomic holdings, you think they should be exempted?

A—Yes.

Sir Percy Thompson. *Q.*—If they are exempted, will there not be a further tendency to fractionise?

A—The holdings are so small that it is impossible to fractionise the holdings further.

The Hon'ble Sardar Jogendra Singh. *Q*—You recommend duty on succession? And your reason for recommending it is that that you want to meet the demands of the State and you cannot think of any other tax which is equally equitable?

A.—Yes

Q.—Why do you specially recommend succession duty? Have you any special reasons for that?

A.—I have no special reasons, save that it will fall on the richer classes in society.

Q.—The same thing applies to precious stones, ornaments, bicycles, etc.?

A.—Yes.

Dr. Paranjpye. *Q*—As regards succession, don't you think it is pre-eminently a case of unearned increment—a windfall?

A.—Yes

Q.—And therefore, don't you think that the State, if it wants, is entitled to take some portion of that amount, even when it means the remission of some other more exacting taxes?

A.—Yes, I should think so.

The Hon'ble Sardar Jogendra Singh. *Q.*—Taxes are generally imposed which are acceptable to the people; and would any tax that you have recommended, for instance, tax on agricultural incomes, be acceptable to the people?

A.—That is not the only test to apply.

Q.—Have you considered the general opinion of the people who are going to be taxed?

A.—I see no reason why they should not be acceptable.

Dr. Paranjpye *Q.*—You mean by the rich people or by the common people?

A.—By the common people.

Q.—You recommend the exemption limit so as to exempt the common people?

A.—Yes. The common people are already taxed. They pay taxes on so many things, for instance, on cloth, iron, sugar, matches, kerosine, salt, etc., that the limit of taxation with regard to these people may be said to have been reached

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Professor H. R. BATHEJA, M.A., Ravenshaw College, Cuttack, was next examined.

Written memorandum of Professor Batheja.

Q. 1.—(*a*) While they are adequate for the purpose of estimating the agricultural wealth of India, they are inadequate for estimating the non-agricultural income of the country and therefore its total wealth.

(*b*) They contain no doubt a high degree of error, as the work of collecting them is entrusted to careless and inexpert agents, but, being not much more inaccurate than other statistics of the Government of India, they can be used for rough calculations, if they are complete in other respects.

Q. 2.—In view of the answer to question No 1, I have no addition to make to the list. There is neither enough material nor a proper atmosphere for [illegible] the result, it is [illegible] This does not [illegible] blem should be [illegible] our under this vital objection. They can not even be compared with each other, as they do not refer to the same area and have not even the same object in view. There is no [illegible] the same terms do not mean [illegible] of following the arguments [illegible] ly to the estimates of Mr. F [illegible] ata in particular, I am inclined to think that the former overestimates the non-agricultural national income, while the latter underestimates the total income by excluding the value of some services and making some deductions which is not really justified It will take too long to discuss these in detail.

Q. 3.—I agree.

Q. 4.—No useful reform can be carried out without incurring some expense. One way of ensuring satisfactory collection of statistics is to compel revenue, agricultural and police officers responsible for it to devote the same care and supervision to it as they do to their other duties. But I am inclined to think that their work will always remain unsatisfactory, as they have not the necessary time and scientific interest—unless it is checked by some agency possessing these requisites I would, therefore, suggest that this work of check and

supervision in a particular locality may be entrusted to the Professor of Economics of a college situated in that locality, who would perhaps gladly do it for a small allowance of Rs 50 or more a month. Aided as he will be by a society of students intimately conversant with the locality to which the statistics relate, he will have means of independent check which the ordinary authorities do not possess If this cheap but efficient system is adopted, the Professor of Economics in a college or university will perform services analogous to those [illegible]
Governmen
directly col
Professors
ment may
contribute something to their incidental expenses as is done in the case of the Patna College Chanakya Society, of which I was the President for more than three years. Other Local Governments might well follow the example of the Bihar and Orissa Government in this respect.

Q 5.—Yes.

Q 6—Yes

Q 7.—The fact that they have been attempted in all countries in recent years shows that they have value They can be used in estimating the burden [illegible] community. At
production and
ust be admitted
academic signifi-
small, or large
as has been contended by various writers, large sums of money will have to be raised for educational and industrial developments if India is to make any progress in the future, and it is unfortunately a fact that a small contribution from the many poor in India is much more fruitful than a heavy tax on the rich, for the rich in India are not very rich nor large in number. If it wer
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whether taxation for it beyond a certain limit is justifiable But in India we are faced with the melancholy problem of breaking the vicious circle of a low expenditure on development and its cause as well as its consequence, disease, ignorance and [illegible]
will have to be broken
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much margin between
hanced expenditure, large, and possibly, unheard of sacrifices on their part will be necessary in the near future It is a price which the country will have to pay for their [illegible]
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which is necessary for their improvement, taxes may have to be levied in

useful to the State will add to national production. Abnormal situations require heroic remedies; and if the principle of conscripting labour for cutting the throat of one's neighbour is accepted in war, I fail to see why it should not be accepted for saving human misery in peace There is no reason why the campaign against disease, ignorance and poverty should not be carried on with the same relentless vigour and fertility of resource as a war of homicide In determining whether such extraordinary remedies are required, lies perhaps the greatest value of an inquiry into the taxable capacity of India as measured in money.

Q 8—I cannot add to the list except that I may mention that as the ex-President of the Patna College Chanakya Society I know that there are some more family budgets in the reports from 1913 to 1923. I have not examined all these enquiries and so I cannot say whether they are all reliable, but it is certain that those conducted by Government officers without a special scientific interest are not so I do not think they are sufficiently numerous to form the basis of an estimate of the incidence of taxation on different classes. Such [illegible] and more representative collec- [illegible]mily budgets of the middle and [illegible]e have not enough budgets even

Q. 9—I should divide the population roughly into six classes according to monthly income and habits of consumption

(1) The indigent, having a monthly family income of less than Rs. 30 and living below the efficiency level of subsistence

(2) The poor, having a family income varying between Rs 30 and Rs. 50 consisting mostly of peasants, artisans and poor Government functionaries who manage somehow to exist.

(3) The lower middle class (corresponding to the lowest section of the Bhadralok) having incomes ranging between Rs. 50 and Rs. 150.

(4) The proper middle class having incomes between Rs. 150 and Rs. 400

(5) The upper middle class with incomes between Rs. 400 and Rs. 1,250.

(6) The rich having monthly incomes above Rs. 1,250.

These classes have recognised standards of consumption and the incidence of taxes may be ascertained by noting their effects on the various articles which enter into their consumption. It is clear, income tax is paid by the last three classes, salt tax mostly by the first three classes, excise and customs mostly by the first, second, third and fourth class, local cesses largely by the second, third and fourth class, octroi by the first three classes and house tax by the last five classes I am inclined to think that the burden of the present system of taxation in India presses heavily on the second and third class and least on the last three classes.

Qs. 10-12.—The distinction between tax and non-tax revenue is not so im- [illegible]

minimise the State's share of the national income by emphasising such an artificial distinction. If this is carried far enough, the Russian Soviet Government might congratulate its subjects that it levies no tax whatever, since everything belongs to it.

Q. 11—A commercial return is necessary as a rough test of the efficiency of the nationalised industry, but it is not a sure test, as a State industry may declare a dividend, even though inefficient, if worked under monopoly conditions like those of a railway. In that case the element of tax will appear.

Q. 14.—I think there is an element of taxation in all these, as they are monopolies and it is well known Government working of monopolies is neither economical nor efficient. The whole profit on coinage and exchange is a tax on the people. It is a bad tax too, as it falls on all alike and is not graduated according to capacity.

Q 15.—(*b*) I should prefer the third plan if the project has been financed out of provincial funds, and the first plan if it has been financed out of a special levy on the locality benefited, collected, as I should prefer, partly in cash and partly in local labour

Q. 16.—Yes. 50 per cent. In the shape of a betterment tax.

Q. 18 —*Vide* answer to question Nos 10-12

Q. 19 —They should be included as we are concerned to find the average rate of taxation in a given area

Q. 20 —No, but I would not use the result for comparison with other localities. The distinction between a general purpose and a specific purpose is nowhere clear and fixed. It varies from place to place and time to time. Some people would regard even education and medical relief as specific purposes

Q. 21.—No. They are no more voluntary than our habitual needs.

Q 23.—No.

Q. 24 —They would impose an economic burden, as human beings, constituted as they are, cannot refrain from normal entertainments or travelling

Q. 25.—We are concerned to find the rate of taxation borne by the average citizens We have no concern with social or religious divisions as such unless they coincide with economic divisions

Q 26 —I have not much to add to the generally accepted canons of taxation, but I wish to point out that in the peculiar circumstances of India theory should not be ridden to death, and these canons will have to be applied with qualifications and modifications suited to her genius and condition Equity is always important, but it may have to give way to considerations of expediency, productivity and economy For instance, octroi or terminal tax is objectionable in certain respects but speaking from personal experience, I know few municipalities which will consent to replace it by a direct tax, and to abolish this source of revenue will practically mean abolition of much expenditure necessary for development The question of justice can only arise when there is choice between alternative sources of revenue Besides this, other considerations peculiar to India will have to be borne in mind As far as possible, no tax should be levied which falls exclusively on a particular community, because of its peculiar consumption or social and religious usage, without corresponding taxes on other communities A tax should be universal and not communal in its incidence It would be obviously inequitable to tax—inheritance without taxing the large fortunes which some Europeans who do not die in India carry away out of the country Again, waste in India is a national danger which is all the more criminal because the country is poor. The tax system of the country should definitely aim at discouraging certain forms of wasteful expenditure A tax on unproductive marriage expenditure may be justified from this point of view Incomes arising more from social conjuncture than from intrinsic ability and disproportionate to the social services for which they are a remuneration and which thus partake of the character of *quasi*-rent should be taxed at a higher rate Instances of such incomes are the profits of speculation and the extraordinary earnings of some *pandas*, actors, lawyers and doctors who earn more than first class professors of medicine, jurisprudence and divinity. Finally, taxes should be levied in forms most convenient and advantageous to the people. Taxes should not discourage production, but may be even utilised in the present circumstances to increase it. Village panchayats and other rural authorities should be encouraged to develop their areas by means of dues levied partly in money, and partly in labour in the slack season.

useful to the State will add to national production. Abnormal situations require heroic remedies; and if the principle of conscripting labour for cutting the throat of one's neighbour is accepted in war, I fail to see why it should not be accepted for saving human misery in peace. There is no reason why the campaign against disease, ignorance and poverty should not be carried on with the same relentless vigour and fertility of resource as a war of homicide. In determining whether such extraordinary remedies are required, lies perhaps the greatest value of an inquiry into the taxable capacity of India as measured in money.

Q 8.—I cannot add to the list except that I may mention that as the ex-President of the Patna College Chanakya Society I know that there are some more family budgets in the reports from 1913 to 1923. I have not examined all these enquiries and so I cannot say whether they are all reliable, but it is certain that those conducted by Government officers without a special scientific interest are not so I do not think they are sufficiently numerous to form the basis of an estimate of the incidence of taxation on different classes. Such an estimate is difficult unless we have a larger and more representative collection of family budgets We have very few family budgets of the middle and upper classes of the different provinces, and we have not enough budgets even for the lower agricultural and working classes

Q. 9.—I should divide the population roughly into six classes according to monthly income and habits of consumption

(1) The indigent, having a monthly family income of less than Rs. 30 and living below the efficiency level of subsistence

(2) The poor, having a family income varying between Rs. 30 and Rs. 50 consisting mostly of peasants, artisans and poor Government functionaries who manage somehow to exist.

(3) The lower middle class (corresponding to the lowest section of the Bhadralok) having incomes ranging between Rs. 50 and Rs. 150.

(4) The proper middle class having incomes between Rs. 150 and Rs. 400

(5) The upper middle class with incomes between Rs. 400 and Rs. 1,250.

(6) The rich having monthly incomes above Rs. 1,250.

These classes have recognised standards of consumption and the incidence of taxes may be ascertained by noting their effects on the various articles which enter into their consumption It is clear, income tax is paid by the last three classes, salt tax mostly by the first three classes, excise and customs mostly by the first, second, third and fourth class, local cesses largely by the second, third and fourth class, octroi by the first three classes and house tax by the last five classes. I am inclined to think that the burden of the present system of taxation in India presses heavily on the second and third class and least on the last three classes.

Qs. 10-12.—The distinction between tax and non-tax revenue is not so important for estimating the total burden of State expenditure as it is generally made out to be. Every kind of revenue is a deduction from the national dividend, and to the extent of that deduction, leaves less in the hands of the people for meeting their daily wants The conception of the functions of the State varies from time to time and place to place, and the only value of the distinction is to warn us that comparison of one country with another as regards taxation and expenditure is fruitless and misleading unless the condition and circumstances of the two countries are exactly similar. It is misleading to minimise the State's share of the national income by emphasising such an artificial distinction. If this is carried far enough, the Russian Soviet Government might congratulate its subjects that it levies no tax whatever, since everything belongs to it.

Q. 13.—A commercial return is necessary as a rough test of the efficiency of the nationalised industry, but it is not a sure test, as a State industry may declare a dividend, even though inefficient, if worked under monopoly conditions like those of a railway. In that case the element of tax will appear.

Q. 14.—I think there is an element of taxation in all these, as they are monopolies and it is well known Government working of monopolies is neither economical nor efficient. The whole profit on coinage and exchange is a tax on the people. It is a bad tax too, as it falls on all alike and is not graduated according to capacity.

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Q. 27.—Not necessarily, unless it is imposed in the form of universal national service levied at a time of crisis. In normal times expenditure necessary for efficiency and conventional requirements should be exempted.

Q. 28.—No. There are many other human interests besides those of money, which are vested and interested in the welfare of the State.

Q. 29.—If it is deemed necessary for representation, it should be direct and take the form of national service of such a character that the humblest and the poorest can render it.

Q. 30.—No. Please refer to question No. 29. Yes. It will not suit India.

Q. 31.—Yes. Direct money payments from the lowest classes in India are not convenient and impose a much greater burden on them than is intended.

Q. 32.—These taxes are less objectionable as being more convenient and easier to collect and more suited to the Indian temperament. But they are not so equitable as national service.

Qs. 33 and 34.—Yes. To all classes specially to classes above Rs. 5,000 a year. The gradients above it might well be steeper. Unearned and half earned incomes of the class described in question No. 26 and incomes earned in India and spent outside it might well be taxed at a higher rate.

Q. 35.—Yes.

Q. 36.—No. It is desirable also

Q. 37.—The privilege argument in India is sufficiently strong to justify the continuance of the tax I have no opinion to offer on the form in which it may be collected

Q. 38.—Y [illegible]
do not go t[illegible]
this source [illegible]
[illegible] ome extent equalise the incidence of land
[illegible] evenue is a transferred head, and it is in
[illegible] ne from land should go to the provinces
[illegible] the provinces will have an elastic source
[illegible] and Bihar and Orissa specially will get a
much needed relief.

Q 39.—I should draw the distinction referred to.

Q. 40—I should retain the present limit, as the lower classes are taxed much more in other ways than the richer classes I should give a similar but smaller exemption to actual cultivators also, as income from land is somewhat different from other incomes. This might encourage fragmentation, but for that a separate remedy should be provided.

Q 41—There has been improvement but still there is need for much more. Government servants and employees of companies are at a special disadvantage in this respect. Some discrimination might be made in their favour as in Italy.

Q. 42—It is desirable but it will create some initial hardship unless, while prescribing a standard form, some concession is shown to indigenous methods.

Q. 43.—Publicity may check frauds on the State, but it may also induce vain tax-payers to ruin themselves. At present public opinion is not hostile to people who defraud the public purse. Non-official Assessors and Commissioners might prove useful.

Q. 44.—Yes; except in abnormal times.

Q. 45—*(b)* Yes.

Q 47.—The system of assessment on the three years' average is more equitable as it makes a greater allowance for losses.

Q. 48—I agree with the first two quotations. I don't quite endorse the view contained in the last quotation as applied to India where great hardship may be caused by taxing necessaries in view of the fact that a good portion of the population lives below the level of subsistence

Q. 49.—I should recommend an excise on aerated waters, candles, coffee, patent medicines, perfumery, petrol and tobacco.

Q. 50.—No.

Q. 51.—Yes, but I should very strongly stress the words "fiscal necessity". The proper function of a salt tax in the tax system of India is to act as a reserve which should be drawn upon only in cases of extreme necessity like war and abnormal expenditure on development, since the tax falls even upon those who live below the subsistence level and upon cattle necessary for production. Balancing the budget in peace time is not such a necessity. If it is utilised for abnormal development, it is obvious that the proceeds should not go to the Central Government.

Q.—52.—It all depends on what objects the proceeds of the salt tax are spent. It is admirable for the purpose of local development of education, sanitation and industries. But a tax of three days' labour in the year or its money equivalent is, in my opinion, still better, as it will be more convenient to the poor.

Q. 53.—It is not high but it is not low either. It is high as compared to that in Japan, specially when we take account of the taxable capacities of the two countries.

Q 55.—Yes.

Q. 56.—No.

Q. 61.—No.

Q. 62—I believe in total prohibition, but I realise it is impracticable in India on financial grounds. Money available for extinction of excise revenue may well be utilised for education.

Q. 63.—I accept all the statements.

Q. 64—It appears to be satisfactory.

Q. 68.—Yes.

Q. 78—A few articles.

Q. 83.—*Ad valorem* duties.

Q 87—Taxes on entertainments and motor cars may be levied in a few big cities to increase their incomes, but they should not be available for provincial or imperial purposes A tax on sales may be levied in lieu of octroi or terminal tax, or in lieu of a tax on profession in those places where they are not levied

Q 88.—The one-anna duty on cheques should be either reduced to one pice or abolished altogether, as has been done recently in France, to facilitate banking in this country.

Q 89.—It is quite legitimate to levy court-fees, but it cannot be denied that they favour the rich at the expense of the poor They should be kept on a very moderate level

Q. 90.—To some extent this is true, but trade sometimes benefits from the solemnity and precision which the use of stamps confers on it

Q. 93.—An excess is justifiable, but it should be kept within moderate limits

Q. 95.—*Vide* question No 87.

Q. 96—A tax is a compulsory contribution from the national dividend for the necessary expenditure of the State, while rent is the economic surplus [illegible] ation and goes to [illegible] m the incomes of [illegible] moderate, while [illegible] urplus produced It does not serve any useful purpose to discuss whether land revenue in India is a rent or a tax, except to supply arguments to literary pedants for and [illegible]

rates levied by Government, it would seem that the land revenue is neither a tax nor rent; it is simply Indian land revenue, a complex result of historical traditions, local customs and the desire of Government to raise as large a revenue as the people would bear, without their questioning its reputation for enlightened generosity. It partakes of the character of both rent and tax, since the rate is too high for a tax and too low for rent. In the raiyatwari areas, it approximates more to the nature of a rent, and in the permanently-settled areas it approximates to a tax, while in the temporarily-settled areas it occupies an intermediate position.

Q 97.—Generally no, but under certain circumstances it may drive down the standard of comfort. Low productivity, excessive fragmentation and a large number of middlemen are contributing factors. There are too many men living on land and there are too few subsidiary industries. As long as these conditions persist, it will be hard to improve the cultivator's condition by changes in land revenue

Q. 98.—There is considerable force in this criticism specially in the last portion of it.

Q. 100 —(i) Please refer to question No. 40.

Q 101.—Such a tax may not be quite effective. I think subdivision beyond the economic stage should be prohibited by law.

Q. 102 —Yes.

Q 104 —The fifth method seems to be the best, as it makes it clear how much of the national dividend is taken in the shape of land revenue for the purpose of the State

Q. 105.—The rates for royalties should be increased and income-tax on royalties should be levied at a higher rate than that levied on ordinary agricultural income, since royalties include not only rent, but payments for the contents of the soil actually removed by mining; or a special minerals exploitation tax may be levied

Q 106 —Yes

Q. 107.—A sales tax or a turnover tax for municipal areas, a labour tax for rural areas, and a tax on unproductive expenditure on marriages for both might be added to the list If taxation of site values is not included in the term land values, it might also be added House tax and the tax on site values may be made imperative in all municipalities, and in addition to it, where octroi is not levied either a sales tax or a tax on profession, trades and callings should be made imperative In the rural areas a labour tax or an education cess should be made imperative Without such compulsion it is difficult to induce local bodies to undertake expenditure on development I speak from personal experience of the Patna Municipality. The merchants and landlords are so strongly entrenched in the local bodies that they resist all attempts to impose taxation for the benefit of the poor.

Q. 108.—Please refer to question No. 26. Octroi is no doubt unsatisfactory from the economic point of view, but it will have to be retained in India for a long time to come on account of its convenience, productivity and universal incidence, especially [illegible]
is the main stay of ma[illegible]
whenever it exists, th[illegible]
they are backward. [illegible]
may have to go thro[illegible]
those of Patna, Luck[illegible]
and trades and profe[illegible]

Q. 109.—I agree with the criticism subject to the observations in questions Nos. 26 and 108 It applies to terminal tax also. It is as much evaded as house tax, income-tax or any other tax in India. It is well known that the houses of municipal councillors, their friends, relations and voters are under-

assessed. The same objection will apply to the sales tax and the profession tax which I have suggested as substitutes.

Q. 110.—Please refer to question No. 108.

Q. 111.—They have the same justification in India as octroi.

Q. 112.—It is convenient. It does not create hardship, for he is generally able to shift it.

Q. 113.—Yes. It is desirable that taxation should be as broad based as possible and should not press on a single point Yes

Q. 115.—Yes.

Q. 116.—I have no experience, but I think they are not suitable for poor and backward cities.

Q. 117.—They should not be given unconditionally, but should be earmarked for special purposes such as sanitation and education Recurring grants for certain objects should be given in fixed proportions to the expenditure incurred by local bodies on those objects so as to encourage self-help

Q 118—Conditions vary from province to province In Bihar and Orissa the stimulus is lacking, though there are signs of awakening In Bombay the stimulus exists

Q. 119—No These are not suitable to India.

Q 120.—Amongst the taxes mentioned, taxes on agricultural incomes, tobacco, servants, motor cars and patent medicines appear to be suitable. Betel leaf and areca nuts may be taxed by means of a profession and calling tax levied by a municipality. There should be no tax of marriage as such, but a graduated tax may be levied on expenses of marriage beyond a certain proportion of the incomes of parties The object of the tax should be partly social, and partly financial. It is well known that extravagant marriage expenses are largely responsible for the indebtedness of the people The tax should be levied by local bodies and its proceeds should be exclusively devoted to education so as to make it unobjectionable

Q 122—Yes

Qs 122 and 123—From the revenue and convenience point of view, the fifth appears to be the best, but the manufacture and incidentally the value of the article may be greatly improved by trying the third method.

Q. 132—Half the rates on cigars and cigarettes and a quarter of the rates on manufactured and unmanufactured tobacco would appear to be suitable.

Q. 133.—*Ad valorem* duties on cigars and cigarettes and specific duties on tobacco.

Q. 137.—Duties on inheritance or succession, though quite justifiable from the economic point of view, are not suited to India at the present moment, though a time may come when they can be safely introduced They are opposed to the principle of family solidarity on which Indian society is organised Any

[illegible] ividualistic societies

[illegible] Sir James Stephens

[illegible] w property does not

[illegible] sides having the tendency to disintegrate the Hindu joint family, will be specially inquitable, as its incidence will be largely communal in character. The Hindus will bear the greatest burden, the Mussalmans will bear it less and the Europeans who do not die in this country will escape it altogether. Its burden will be very severe on the land-owning classes, as they have not yet learnt to derive an increasing income from their property so as to repair the inroads of succession [illegible]

seriously exercised over the question of foreign capital. It will be costly to collect, inquisitorial in character, easy to evade on account of *purdah*, and will lead to endless vexation and corruption. If the property of a Hindu is inherited for the purpose of carrying out certain religious ceremonies as main-

tained by some jurists, succession duties may be resented as taxes on religious observances, if public opinion is not ripe for them.

Q. 138.—These principles are inconsistent with the organisation of the joint family. The principle of graduation cannot be introduced without working hardship. Distant relations are generally excluded by the device of adoption, and it is manifestly unjust to tax the estate or the share of each heir according to size without considering the number of co-sharers and the permanent obligations of each heir respectively.

Q. 139.—(1) Yes.

(2) This is true in the abstract, but is not quite applicable to succession duties in India, as most estates likely to be affected by them are exclusively provincial in character.

(3) No. If death duties are levied, the proceeds from agricultural estates should go to the provinces and the rest to the Central Government.

Q. 141.—All the methods suggested will either create hardship or disintegrate the joint family.

Q. 143.—It is not quite peculiar to India, but it is specially applicable to it, as at the death of the head of the family much money is drained away in the shape of funeral expenses. Large payments are made to daughters in view of the fact that according to the Hindu Law they are practically disinherited. They are really deductions from the parental estate.

Q. 144.—No. In the case of ornaments and jewellery, the *purdah* is an insuperable obstacle.

Q. 147.—Yes. But the system of payments from the Central to the Local Governments cannot be ruled out of account altogether, in the present condition of the different provinces of India. All of them are not in the same state of development and the Central Government owes to the backward provinces of Bihar and Orissa, the Central Provinces and Assam duties which it ought not to forget under any system of provincial autonomy. As a geographical, political, economic and cultural unit, India is one, and should never be split up into semi-independent states of the type which exist in America, each careless of the fate of the others. In the interest of all, a national minimum of order and security, health and education will have to be enforced on the provinces by the Central Government, for the disease, ignorance and disorder of one province may affect, under certain circumstances, the health, safety and prosperity of its neighbours. A riot in Bihar will disorganise the entire economic life of Northern India and plague starting in a backward province will easily spread to the neighbouring provinces. If in spite of the best efforts, a province is unable to keep up to the national minimum, the Central Government should come to its rescue by giving it subventions on special occasions or by financing its large capital requirements. This is all the more necessary as these provinces have remained backward not on account of their own fault, but because for a long time they were outlying parts of other provinces, and therefore remained for the most part in an undeveloped condition. It is unfair to them now to saddle them with all the paraphernalia of a full-fledged province and leave them to shift for themselves and bear their burdens as best they can without any occasional assistance from the Central Government. Bihar and Orissa is heavily handicapped in the race with other provinces, as besides capital undertakings of the usual provincial character, it has to finance the ordinary requirements of 34 million inhabitants from a scanty income of about six crores, which it is not able to increase in spite of the fact that it possesses the richest minerals and land in India. I hope the Committee in making recommendations will bear the needs of backward provinces in mind. I suggest the proceeds of the salt tax should be used to give subventions to them for their occasional capital requirements until they are able to stand on their legs, on the condition that they devote an increasing part of their revenue to primary education and sanitation.

Q. 148.—Yes, but it may be provided for by using the salt tax as a reserve against emergencies. Normally, it should be used for the purpose of making

grants to backward areas. The uncertainty of this source in time of depression should make them self-reliant.

Q. 149.—No. All the provinces have inadequate and inelastic revenue. The agricultural provinces where temporary settlements prevail have gained at the expense of the commercial provinces by the arrangement which makes land revenue a provincial head and income-tax a central head. The industry and enterprise of Bombay and Bengal is very much penalised. The case of Bihar and Orissa is the worst, as it is an agricultural province without an adequate land revenue, and an industrial province without an income-tax. The result is low expenditure all round on police, education, sanitation and industries, though the will to work the reforms exists. For its relief either the abolition of permanent settlement or a tax on agricultural incomes, or on minerals is absolutely necessary.

Q. 150.—Yes, but not without adding to the sources as mentioned above. The condition of backward provinces should not be lost sight of.

Q. 151.—Yes.

Q. 152—Yes.

Q 153.—The province has a right to share the produce of such a tax, but it should not take the whole and should share it with the Central Government to emphasise the national character of the tax If this principle is conceded too much, similar demands may be made about similar import duties and national unity may be lost. Bengal may share its jute tax, and Bihar and Orissa a tax on shellac and minerals with the Central Government

Q. 154.—Yes, the Central Government may reserve a basic rate in excise, provided it surrenders a share of the income-tax and possibly of the opium revenue or salt tax to the provinces At present the provinces have greater need of revenue than the Central Government Mere remission of provincial contributions will bring no relief whatever to Bihar and Orissa

Q. 155.—Yes, subject to the same conditions.

Q. 156—Yes, but the reasoning is not quite true about succession duties as applied to India Please refer to question No 139

It is practicable Income-tax and succession duties from agricultural sources, if levied, should be given to the provinces, while their yield from general sources should go to the Central Government. Both the Local and Central Governments need elastic sources of revenue, and in any case the field of income-tax should be divided between them either on the abovementioned principle or on the principle followed in Australia.

Q. 157—Yes Yes

Q 160—Note about "further revenue" A business or profession tax, while suitable to Western countries and some modern cities in India, will be utterly inadequate for the purpose of old cities, especially the cities of the United Provinces and Bihar and Orissa Please refer to questions Nos 107, 108 and 116

Q 161—No Yes, provided other sources of revenue are made available Please refer to question No 107

Q 162.—No Local bodies will be great losers as Government have extensive properties.

Q. 163.—Yes

Q. 164—Yes, specially the monopoly of life insurance. The Government scheme of postal insurance for its employees has been very successful and should be extended into a monopoly, as it will stop the drain of premiums outside India and protect policy-holders against weak or fraudulent companies. The premiums will also be lower on account of various economies

Q. 165—Yes In the case of matches and playing cards.

Q 166—Yes.

Q. 168.—The staff is excessive for its present duties.

Q. 171.—Yes. My experience as a Commissioner of the Patna Municipality confirms the experience of these democratic countries. I think all local assessments should be carried out by independent officers under central control.

Professor Batheja gave oral evidence as follows :—

The President. Q.—You have been good enough to send us a considerable amount of information which we will pass on to the Economic Enquiry Committee I notice that you find that the enquiries are rather political than scientific

A —Yes, that is my humble opinion.

Q [illegible]

How can you use the average of the whole population for estimating the burden of a class?

A —I can use it for estimating the burden of the lowest class of the population. For instance, if the average of national income is very low it must be presumed that the lowest classes in the population are getting very low incomes Therefore possibly the burden will be very heavy and if we want to impose any fresh tax we will have to take that factor into consideration. I am not able to use that information for the purpose of estimating the burden of every class

Q —But the average will be in excess of the lowest.

A —It will give a rough idea, not an exact idea.

Q —You divide the six classes according to their income You make no distinction between town and country, between agricultural and industrial.

A —No, it is a rough distinction.

Q —Does not the incidence differ?

A —Yes

Q —Don't you think you need distinguish between town and country?

A —Yes, within these six classes I can make a subdivision into rural and urban classes.

Q —Between the agricultural and non-agricultural population?

A —Roughly the distinction between urban class and the non-urban class means that between the agricultural and non-agricultural classes.

Q —Can you help us to discover the numbers of each class from the census returns?

A.—I have not gone into such details I have had no time Perhaps I could work it out

Q —How would you qualify this classification (shown the classification adopted in the preliminary note)?

A.—This seems to be more or less a division by occupations. It does not take into consideration the amount of income There may be vakils who may not be earning anything. There may be barristers earning Rs. 20,000 per month. To this extent the classification does not give an idea of the differences in income.

Q.—We want to get classes of people. Do not vakils belong to one class?

A.—Now the tendency is to have sub-classes in each class according to income and expenditure. There are social differences between vakils making both ends meet and vakils who are making a small fortune and the vakils who are wealthy.

Q.—Would you not put all of them under the same professional class?

A.—Yes, but there is a social and economic division which divides the various members of the same profession. Even in my profession there are teachers earning a very small amount and there are teachers belonging to the Provincial and Imperial Services. I am sorry to say there is a difference.

Q —Would you not say that except with regard to incomes, they belong to the same profession with the same habits and manners?

A.—They have not quite the same habits and manners. Take the Imperial Education Service. There is something more than income separating it from the main body of teachers.

Q.—They are all members of one professional class for purposes of considering the incidence of taxation.

A.—Yes.

Q.—Is it necessary to divide them horizontally as well as vertically for purposes of taxation?

A.—I think so.

Q.—Don't you think that such and such a tax falls upon the professional classes according to their incomes? There are ups and downs in all classes.

A.—There are serious ups and downs in India In England incomes of teachers don't vary very much from class to class. But here there is a very wide difference.

Q.—But would you class traders, teachers, and vakils all in one class?

A.—I would separate them.

Q.—Then would not your six classes become thirty-six?

A.—Yes, that would be more exact

Dr Paranjpye *Q.*—You consider the differences due to income of greater importance than the differences due to the nature of the profession so far as the incidence of taxation is concerned.

A.—I do not say they are more important but they are very important for purposes of taxation.

Q.—Is not graduation of taxes a sufficient allowance for the question of variation of income?

A.—At present graduation is not sufficient.

Q.—Then you can have steeper graduation So far as taxation is concerned, will not that achieve the purpose?

A.—Yes Perhaps I will accept your position

Q.—Take customs duties on imported liquors and imported clothes of high grade, is it not the higher class that would almost entirely pay these and the lower class is not paying these at all?

A.—Yes. The lower classes would not pay them except to some extent. But there is another class due to caste People have to consume a particular commodity simply because they belong to a particular caste

The President *Q.*—As regards the distinction between tax and non-tax revenue what we have to do is this. We have to recommend readjustments of the system of taxation within the existing limits

A.—It does not serve any useful purpose to emphasise this difference If Government takes over functions which are discharged by private persons in other countries, it, to that extent, reduces the sources of income available to them for paying taxes If Government monopolises most occupations and the ordinary people do not get many occupations, to that extent the money left in their hands which can be taxed will be very small

Dr Paranjpye. *Q.*—Do you consider that taxation should be regarded as identical with the whole amount of expenditure of the Government?

A.—The whole revenue of Government ought to be taken into consideration.

Q.—Would you include tributes as part of taxation?

A.—If I take India as a whole I would consider them, if I take British India only, I won't consider them

Q.—Suppose there is an Indian State which does not derive its revenue from any tax but gets its whole revenue out of dividends from railways in which it has invested large funds, do you think that that state is still taxed?

A.—I should think so.

Q.—There is hardly any real taxation in the ordinary sense of the term.

A.—It has invested a large amount of money. I would not use the word taxation. But Government cannot be run without taking some money from the people. That money must come from somewhere.

Q.—Is it money from the people?

A.—Yes.

Q.—If it has got money invested in railways and if the dividend is spent for the expenditure of the state, do you still consider that the people are taxed?

A.—If the people had the railways that income would have remained with the people.

Sir Percy Thompson. *Q.*—Supposing to-morrow the Government of India decide to do what I believe it is contemplating, *viz.*, the starting of an Indian Mercantile Marine, and—let us suppose the impossible—it makes a profit of two crores per annum. Do you call that two crores taxation?

A.—I would call it taxation to the extent the profits remain in India.

Q.—Would you call it a reduction in the national dividend?

A.—Yes, to the extent the profits of shipping remain in India.

Q.—Where is it deducted from?

A.—From the money of the nation. The whole nation earns it. Government takes its share for expenditure. There is no distinction as regards national dividend between money earned by private or public agency. The people would have earned the same profits.

Q.—The people would never do that. The Imperial Government makes two crores without taking a pice from anybody's pocket. How is it a deduction from the national dividend?

A.—If Government had not started the enterprise, the people themselves would have done so.

Q.—That is a tremendous assumption. Would you say the same thing in respect of the posts and telegraphs? Would it have been possible for the people if the Government had not instituted these enterprises?

A.—My point is this. If you press me in this fashion then you will have to answer my difficulties. Supposing as in Russia Government monopolises all the occupations of the people, then the tax of the people would become *nil* and the burden.

Q.—Supposing the Imperial Government nationalises the cotton industry of Bombay. I shall go so far as to agree that the profits of the cotton industry are a tax. But I cannot agree to the proposition that, whatever industry is taken by Government under its control and monopoly, it becomes a tax. I cannot also agree to the theory that such profits come out of the national dividend.

A.—To the extent the profits of the people are taken over by the Government, to that extent the income of the people has to suffer.

Q.—The suggestion I am making about the mercantile marine is that the Government creates it. It does not take from anybody. It creates a source of wealth.

A.—That source would have been possible for the people also.

Q.—Why don't they do that?

A.—In course of time they will do that.

Dr. Paranjpye. *Q.*—Supposing Government discovers a gold mine in one of its estates. Do you still consider the income from the mine as a tax?

A.—I won't exactly consider it as a tax. I am protesting against the whole distinction between tax and non-tax revenue. You are examining me in such a manner as to place me in a very tight corner. What I mean is if Government monopolise the profits, Government expenditure of those profits is a burden on the people.

The President. *Q.*—What do you mean by national dividend and how do you define tax?

A.—I do not want to depart from the ordinary definition that tax is a compulsory contribution made to the state for which no specific return is received. But all blessings of Government may in a way be regarded as specific returns or general returns for money received and hence all sources may be considered as taxes or vice versa.

Q.—Law and order are not specific returns.

A.—Where would you draw the line?

Q.—You can do it when you get a specific return, as in the case of a postal stamp or a railway ticket.

A.—Looking after jails may also be called a specific service. The functions of the state differ according to various people I think the meaning of the word specific service varies from time to time and from place to place also.

Q.—If a special locality paid for water works or an irrigation scheme out [illegible]

A.—Yes.

Q.—In the first case people putting in their money get a return, whereas the general tax-payer does not Do you think it right that Government should take a share in the output without confining themselves to the interest on the capital cost?

A.—Yes.

Q.—In addition to that if the landlords secure very large increment in the capital value of the land, the Government will be entitled to take 50 per cent. of it in the form of a betterment tax?

A.—Yes.

Q.—Then with regard to question No 25, you say that we are concerned to find the rate of taxation borne by the average citizens and that we have no concern with social or religious divisions as such, unless they coincide with economic divisions If that is your view, take the professional class about which we are now talking, do they pay much excise duty?

A.—Not much.

Q.—According to your precept something should be imposed on the professional class?

A.—Yes.

Q.—You say again that it would be inequitable to tax inheritance without taxing the large fortunes which some Europeans who do not die in India carry away out of the country. What about those who die in this country?

A.—As I said, most of the Europeans do not stay here and as a matter of fact if you levy an inheritance tax it will be communal in incidence and they will escape.

Q.—Is there no communal incidence in the case which we know of where a single payment of death duty brought about Rs. 3 lakhs?

A.—I would rather avoid communal incidence

Q.—Do you think it unfair to levy the probate duties as at present?

A.—I think so.

Q.—No objection if it is spread over the whole community.

A.—No.

Sir Percy Thompson. Q.—Is it not the fact that the class of people who make much money in India leave their property here in jute mills and tea estates, etc. Would not that tax fall on them?

A.—In the first place some portion of the money earned is taken away. Take the case of Government servants.

Q.—Do you think Government servants leave much property?

A.—At least Government servants who are not married make much money. I am also referring here to the European merchant princes of Calcutta.

Q.—Is not their property usually here?

A.—If the property is here, it does not come under the special tax which you are contemplating, *i e.*, death duties.

Q.—It will come on the domiciled as well as people who are living outside India but have their properties here.

A.—Is it not the case that the shares of jute mills or other companies are probably possessed by men in England?

Q.—Take, for instance, a Tea Company which is purely an Indian Company in which I own shares. Having retired from service I go to England and die there, India would be entitled to take a duty on the shares.

A.—I was not aware of this

The President. Q.—You wish to levy a tax on unproductive marriage expenditure? How would you levy it?

A.—I suppose marriage festivities are quite reasonable, but there is a tendency here in India, whether princes marry or poor men marry, to spend beyond one's income I would allow every man to spend only 3 months' income on the marriage; if he tries to spend more than that, I would tax him.

Q.—Would it not lead to all sorts of inquisitorial proceedings?

A.—I do not think it is so very difficult to collect information in a place like India. A man will have simply to take a license for marrying his daughter.

Q.—Are they required to pay a stamp duty on it?

A.—No As a matter of fact, marriage is not an obscure fact in any village in India There will be no difficulty in the collection of the tax as I do not want to give the proceeds to anybody except the local authorities. They know how many marriages are celebrated in a village and they may issue a license ticket registering the fact of the marriage and if the marriage expenditure goes beyond a certain limit then the parties may be taxed.

Dr. Paranjpye. Q.—You know the question of marriages in your province—Sind—is a burning question, don't you think that this tax would be an additional burden upon the hard pressed parents?

A.—If the tax is levied it won't add to the dowry, but it will come from the dowry. The maximum which can be squeezed is realised already. The object is not entirely financial, but is also social. If a man celebrates the marriage very economically, then I won't tax him at all.

Q.—Would you be in favour of a registration fee on marriages?

A.—I am opposed to it. There may be a poor man who may not be able to pay even Rs 2 for the registration fee

The President. Q.—You say that you would like to tax the profits of speculation and the extraordinary earnings of some Pandas, etc. How are you going to tax profits of speculation?

A.—When a return is made to the Income-tax Officer as to the source from which the income has been derived, then there may be a separate return under "speculation."

Sir Percy Thompson. Q.—I am a Bombay cotton manufacturer and I have half a lakh of rupees profit and speculate in cotton and make another half lakh of rupees, you would tax on the half a lakh of rupees made out of speculation?

A.—Yes

Q.—Then I make another speculation and lose a lakh of rupees. Whatever I have made out of the cotton manufacture, I lose in cotton speculation, how would you tax on it?

A.—I would take these two things separately. I would certainly tax the profits, but I let you go on the speculation because you have not made anything from it.

Q.—Why do you let off the losses and take only the profits made out of one activity?

A.—Because I am distinguishing the two sorts of activities separately. My idea is this, that there are certain incomes which are entirely disproportionate to the services which earn them, and beyond a certain stage you do not get the incomes through your intrinsic ability but through social conjuncture. If a doctor gets 30,000 rupees a month, it is purely a disproportionate value and much more than the value of the real service rendered

Q—Why do you set aside speculation as a special source for taxation?

A—Because I consider the profit of speculation is not wholly due to a man's ability but due to a defect of social organisation, and therefore, I think for the purposes of taxation, I should authorise this.

Dr. Paranjpye *Q*—Is it your idea that you will tax all the winnings from the totalisator and leave out all the losses?

A—Yes, something like that

The President *Q*—You say that you will subject to special taxation doctors who prescribe for nervous old ladies?

A—That is not my point. What is the source of earning of a very good doctor who is making 20 000 or 30,000 rupees a month? I think the services rendered by him are slightly better or nearly as good as the services of a doctor who is making 500 to 2,000 rupees a month. Still the difference in service does not correspond to the vast difference in incomes you find.

Q—How are you going to distinguish these two classes of practitioners?

A—I would roughly say that those who are earning more than 3 or 4 thousand should be classed separately.

Q—Are you not doing this in the system of graduated tax?

A.—I want to tax the special classes of persons. I would certainly distinguish these earnings from the earnings of businessmen which are fully earned. I should ask when a man makes 20,000 or 30,000 rupees a month, does he render service equal to that amount to society? I do not think a fashionable lawyer renders service equ
a number of clients are v
lose property worth 2 or 3
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that is put upon it

Q—You base your differential income-tax on the individual cases?

A.—I think as a matter of fact a professor of Oxford University like Dicey, Anson or Lord Bryce knows as much law as any other lawyer like Sir John Simon or Mr. (now Lord) Asquith. Because the one is practising in the London Courts and the other is a professor, there comes to be a vast difference in income. It does not mean that one is more intelligent than the other. I think the large earnings are due to the false valuation put on the services rendered by these people

Q—What you say is, the more income the more lazy a man is?

A.—I do not say that I say the income is not wholly due to their extraordinary intelligence, *but it is also due to the fact that society puts a false* value on their services.

Q.—You say that village panchayats and other rural authorities should be encouraged to develop their areas by means of dues levied partly in money and partly in labour in the slack season. You mean to say that taxation should take the form of national service which the humblest and poorest alike can render.

A.—I think such a system is in vogue in the Madras Presidency.

Q.—You are referring to the *kudi maramath* system in the Madras Presidency? But it is being given up. The extension was opposed in the Council.

A.—I do not think it is applicable to all classes of people. What I want to say is that since the villagers have not got much to pay in the shape of money, they might be asked to pay in the form of labour. Their purse is slender, but their labour power is very strong. I would confine the levying of this tax only to village panchayats.

Q—In reply to questions Nos 33 and 34, you say you would advocate an increase in the rates of income-tax and apply it to classes above 5,000 a year. I take it you refer to rupees.

A—Yes.

Sir Percy Thompson. Q.—In your view the rate of income-tax on the higher incomes in this country is small.

A—I think so

Q.—You advocate a differential rate for unearned incomes as compared with earned incomes?

A.—Yes

Q.—Theoretically I think everybody would agree with that But do you think that it is worth while to do so in India where there is comparatively little unearned income?

A—I am proposing to tax agricultural incomes also.

Q—You propose to tax unearned incomes at a heavier rate?

A.—Yes, and half-earned incomes also. I consider the incomes of certain doctors and lawyers as half-earned.

Q—There is comparatively little unearned income in India. By far the chief kind of unearned income which exists in India is income from land which is not subject to income-tax at all.

A—I have proposed that it should be taxed.

Q—Assuming that the law remains as it is at present and that agricultural incomes are exempt, and having regard to the fact that unearned incomes are relatively small in India and that the bulk of them are not taxed, is there really much of a case for complicating the Income-tax Act by having a differential tax for this small amount of income?

A—As time passes, this item of income will assume increasing importance and justice requires that it should be taxed.

Q.—I am asking you whether, in the particular circumstances of India, it is a wise thing to do at the present time.

A.—I do not see any objection to it.

Q—There is a certain amount of administrative inconvenience and it is very difficult to get a really satisfactory clean-cut definition of unearned income

A—I should like to lay the foundation for a satisfactory Income-tax Act. It might give more money to the Exchequer

Q.—Naturally, everybody wants to base it on justice. Even then it would be difficult to get a definition of unearned income.

You think it is quite desirable to make allowances for the number of persons supported out of particular incomes?

A.—Yes.

Q.—Would you apply that to dependants besides wife and children?

A—Yes, in the circumstances of India.

Q.—Is it not going to be a very inquisitorial proceeding to discover how many dependants any particular tax-payer has?

A.—I suppose they would welcome it and supply the information easily.

Q.—But the question is whether they will supply correct information and if the assessor has reason to suppose that it is incorrect information, whether he has not to make an inquisitorial enquiry to satisfy himself.

A.—After all, the facts of family life are very well known to neighbours in India and I think these facts can be very easily ascertained.

Dr. Paranjpye Q.—Generally male and female births are approximately equal in India. Recently when I had occasion to look at the vital statistics in Sind, I found that for every one hundred male births registered in Sind, only about 60 to 70 female births were registered. If this happens when there is no liability to income-tax, do you think information can easily be ascertained for the purpose of levying income-tax?

A.—I do not think that the public attaches much importance to the census or the counting of males and females. I myself have not registered the births of my children. I do not think it would be very difficult to get the information required for the purpose of income-tax.

Sir Percy Thompson. *Q*.—Let us suppose that a certain person says that he has one wife, 7 children and 30 dependants and that the Income-tax officer has reason to doubt it. What procedure do you suggest he should adopt in order to satisfy himself whether the claim of all these dependants is justified?

A.—I have suggested in reply to question No. 43 that the employment of non-official Assessors and Commissioners might prove useful as a check on evasion.

Q.—Do you think that the income-tax payer would like that non-official Assessors should know all about his income and other affairs?

A.—My little experience shows that there would be no difficulty in obtaining information on this point. It is more difficult to know how much income a man gets, because it is kept secret, but the number of dependants and children are very well known.

Q.—To whom?

A.—To neighbours.

Q.—But you cannot always co-opt a neighbour in order to discover everybody's liability to income-tax. You must have a standing committee of non-official people. That committee cannot know the family circumstances of everybody liable to income-tax.

The President. *Q*.—Would you allow him to claim exemption on account of children whose births he fails to register?

A.—I wouldn't.

Sir Percy Thompson. *Q*.—He does not have to register dependants at all.

A.—I would not allow exemption on account of many dependants. I can understand that the word "dependant" is likely to be abused. I would confine the word to very near relations, such as mother, daughter-in-law, brother's wife or widowed sister.

Q.—Don't you think that in India, where practically every income-tax payer is married (it is not like England where you find many unmarried people) and certainly has a very large number of dependants, the best way of allowing for the fact is to have a high exemption limit?

A.—In a way it is a compensation to such people, but still the justice of it is very rough.

Dr. Paranjpye. *Q*.—Don't you think it is a fact that even in our social system any man who earns a large income has many hangers-on who call themselves dependants and that you should discourage exemptions on account of such dependants?

A.—It has its evils, but it has its good points also. I would not certainly discourage the communal ideal according to which the joint family is organised.

Sir Percy Thompson. *Q*.—You would restrict the allowance to wife, children and near relations?

A.—That is so.

Q.—In your view could such an allowance be administered without due inquisitorial enquiries?

A.—I think so.

Q.—Do you think the privileges which a limited liability company get are sufficient to justify a differential rate as compared with persons and firms in the matter of corporate finance and limited liability?

A.—I think so.

Q.—Supposing you did not exempt agricultural incomes, would it not be very difficult to earmark the portion of the income-tax which is derived from agricultural profits and allocate it to Provincial Governments while the rest of the income-tax went to the Central Government?

in India.

Q.—Are you going to tax the cultivator as well as the landlord?

A.—I won't tax the cultivator below a certain limit. I allow for an exemption

Q—I suppose you would take the present limit of Rs. 2,000.

A—I have said that since profits from land are peculiar in character the exemption limit in the case of agricultural incomes will have to be very much lower, say Rs. 500.

Q—In question No. 39 you are asked if you agree with the estimate of the amount which would be derived from the taxation of agricultural incomes. I do not understand your answer.

A.—My answer to that question should be read in continuation of the reply to the previous question

Q.—So you would advocate keeping the present limit of exemption at Rs. 2,000?

A—Yes, because I believe that the lower classes are being taxed in a number of ways.

Q—You say that there has been some improvement in the methods of assessment and collection, but there is need for more. Can you make any concrete suggestion for the improvement of the administration of Income-tax?

A—You might have non-officials associated with the work

Q—How are you going to get your non-official? Let us take the city of Calcutta What sort of people would you get for your non-official Committee?

A—For each class I would certainly have a different non-official Committee, because at present a good deal of jealousy exists between members of the same profession which may be utilised for getting accurate information.

Q—Would you have a different committee for each class of tax-payer?

A.—Yes. I think that will conduce to greater efficiency.

Q—Would you pay them?

A.—I would not. I would only pay them a small amount for attendance.

Q—Supposing you paid them a small amount, do you think you would get the right class of people to act in this capacity?

A.—I admit there would be difficulty.

Dr. Paranjpye. Q.—Would you pay them the same fee as is paid, for instance, to the Director of a Company for attending meetings?

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A.—The expense would be justified by the greater yield which income-tax will bring in; at present income-tax is evaded. I belong to a commercial city and I know that very many people who are earning more than I do pay less than myself.

Q—The arguments we have heard as to the methods of assessment and collection show that they tend to become more inquisitorial.

A.—I do not see how that can be helped

Q.—Would you, in order to make the collection more efficient, advocate making them more inquisitorial still?

A—To secure justice for the State, I would not mind this being done.

Q—There is a point at which inquisitorial proceedings become a nuisance.

A.—I know people resent it very much; but they would get used to it in course of time.

The President. Q.—Is not your last sentence of the answer to question No. 41 rather contrary to the fact? You suggest that Government servants and employees of companies are at a special disadvantage and therefore they should be taxed at a lower rate.

A.—That is done in Italy.

Q.—You say that publicity might check frauds on the State, but it may also induce vain tax-payers to ruin themselves. Do you think there is any serious reason for making this statement?

A.—Some pleaders who wish to gain reputations and some doctors too do it.

Sir Percy Thompson. Q.—What do you mean by your reply 'yes; except in abnormal times'?

A.—I think tax-free securities are open to the objection which the Committee has mentioned, *viz.*, that rich people escape part of their taxation to some extent. At the same time, I know very well that in times of war or great national emergency, when large sums of money have to be raised, some inducements have to be given to people. The needs of the State are paramount.

The President. Q.—I see that you recommend an excise on aerated waters, candles, coffee, patent medicines, perfumery, petrol and tobacco. Is sufficient use being made of candles to make the imposition of a duty worth while?

A.—That is my impression. I may be wrong.

Q.—How would you collect an excise duty on coffee?

A.—I am not very well informed about this, so I would not press this point.

Q.—You have no definite scheme?

A.—No.

Dr. Paranjpye. Q.—Now that you are mentioning coffee, may I ask whether you would advocate an excise on tea? Tea is largely consumed in this country and probably it is more amenable to administrative measures than coffee.

A.—I would rather not. Tea can be a substitute for drink.

Q.—So is coffee. An excise on coffee would hit the Southern Presidency while one on tea would hit Bombay and the Northern Provinces. Don't you think the consumption of tea should be discouraged?

A.—Tea makes our stomachs rather leathery; but it does not do much harm. I would rather encourage it as a substitute for drink.

Q.—But does tea serve as a substitute for alcoholic drinks?

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A.—Recently when the franc was falling.

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Sir Percy Thompson. Q.—How can you remit money by post at a cheaper rate? Suppose you have to make a payment out of Calcutta. If you haven't got a banking account, you will have to do it by a postal order or money order. Won't that be more expensive than a cheque?

A.—Most of the payments would be in the same city. If you consider the incomes of those keeping banking accounts in England and compare it with

those who should be encouraged to keep banking accounts here, you would find that the burden of a one penny or two penny stamp in England is very much less than of one anna in India.

Q—When it was put up in England, it resulted in a good many more people keeping banking accounts.

A.—The case of England is different from that of India. I do not think people will give up their banking accounts there It is so ingrained in the Englishman's habits Here the step is suggested with a view to encouraging banking in India You may make the duty nominal, say, corresponding to the cost of post cards.

The President. *Q*—You think it legitimate that Government should make a profit on registration on account of the other services it renders.

A—Yes

Q—You say that land revenue is neither a tax nor rent; it is simply Indian land revenue—a complex result of historical traditions, local customs and the desire of Government to raise as large a revenue as the people would bear, w
sity You fur
must be prep
citizens Do

A—Yes, there is

Sir Percy Thompson. *Q*—Let us suppose you are an agriculturist and you own some land You pay land revenue on that land. I am a barrister or doctor, I do not hold any land and I do not pay any land revenue, but we both make the same income Are you going to call the land revenue which you pay a tax? Suppose you make Rs. 4,000 and pay Rs. 400 by way of land revenue, that is, you make a net Rs 3,600 I make Rs. 3,600 out of being a barrister. Are you going to treat the Rs 400 as a tax on your income?

A—Yes, but I won't consider the burden to be so great as the burden on the barrister's income I would not place him on the same level.

The Hon'ble Sardar Jogendra Singh. *Q*—Don't you think that land revenue has a better claim to be called a tax?

A—I call it a tax

Q—But you again recommend that agricultural incomes should be taxed.

A.—I know there are a large number of people who, instead of putting their money in stocks, shares and securities, invest in land and when they do so, they expect a return of 5 or 6 per cent When they calculate it on agricultural land, they make full allowance for the money which that land would pay to Government Suppose I have a lakh of rupees, I have two options. I may either invest it in jute or tea shares and get an income or I may invest that one lakh in buying land, say permanently-settled land in Bihar or Bengal. In fixing the value of the land, I would take into consideration the burdens on that land and amongst the burdens I would include land revenue I would consider whether I am getting 5 or 6 per cent. which I would get by investing in jute or tea shares I pay income-tax on the shares while I escape altogether by investing on land.

The President. *Q*—If you get the same return from both, then the income from land is just as liable to income-tax as the income from stocks and shares.

A.—At present it is not, I say it should be.

Dr. Paranjpye. *Q.*—Suppose you invest in jute shares and you get a return of 6 per cent. You pay one-sixth of that as income-tax, so that your net return is 5 per cent. What would happen if capital were perfectly mobile, is that on investments in land you would only get a net 5 per cent.

A.—No. As a matter of fact, they make all deductions, you really get 6 per cent.

Q—They make deductions in both cases. In the one case, they would make allowance for the fact that income from land is absolutely net; on the

other hand, in calculating income from the jute shares, they would take into account the fact that the dividend they get is liable to income-tax.

A.—No. They do not calculate in the way you suggest When they invest in jute shares, they do not make allowance for income-tax, but in investing in land they do Land gives them a greater social prestige and from land they get other sources of income also, besides the 5 or 6 per cent. which they get. That is why in Bihar, where all the savings are in land, they escape taxation altogether.

The Hon'ble Sardar Jogendra Singh *Q*.—But if the same capital is invested elsewhere, it brings in 5 per cent and that 5 per cent. will be liable to income-tax That is your point?

A.—Yes; in the one case he escapes taxation and in the other case, he is liable to it

Q.—Would you exempt from income-tax incomes bringing less than 5 per cent.?

A.—Yes.

The President. *Q*.—Are any exemptions to be made in the income-tax on the ground that the income from capital is lower or higher than a particular figure? That is what your previous answer comes to.

A.—No, I do not make exemptions on that ground. I make exemption in the case of a cultivator who works with his own hand.

Dr. Paranjpye. *Q*.—With regard to question No 101, you say 'such a tax may not be quite effective. I think subdivision beyond the economic stage should be prohibited by law'. Do you want to change the Hindu law?

A.—Sooner or later, it will have to be done If not now, at least 50 years hence it will have to be done

The President. *Q*.—In answer to question No 105, you say 'The rates for royalties should be increased and income-tax on royalties should be levied at a higher rate than that levied on ordinary agricultural income, since royalties include not only rent but payments for the contents of the soil actually removed by mining; or a special minerals exploitation tax may be levied'. How would you impose the tax? Have you any idea on what basis you should arrive at this tax?

A.—In Bihar and Orissa I would impose a small amount for every ton of mineral matter which is mined from the mines.

Q.—Whether it is the Government taking a royalty or a zamindar?

A.—Yes.

Q.—Would that be your sole tax?

A.—If that tax is levied, I won't press for the others.

Q.—Is it in addition to the existing royalties or in place of them?

A.—In addition to the existing royalties.

Q.—Would not that hit a man working at a loss? One man may make heavy profits; another may be making both ends and a third may be working at a loss. You charge them all at a flat rate?

A.—Yes.

Q.—Would not that result in the closing of some mines?

A.—It will encourage efficiency of work.

Q.—But does not the difference often lie on the different quality of the mineral?

A.—In order to avoid that possibility, I levy a very low rate.

Sir Percy Thompson. *Q*.—Taking, for instance, coal, is not the amount of royalty limited by this fact, *viz*, that you must not raise the cost of production for coal to a figure higher than that at which it can be imported from foreign countries?

A.—Yes.

Q—Has not that figure been nearly reached in the case of coal in this country?

A—Yes, in the case of coal, but not in the case of other minerals.

Q—What about iron?

A—I do not think it has been reached in the case of iron.

Q—Apart from the duty on iron, it can be imported at a less rate than it can be produced in this country

A.—That is my reason for levying the tax at a very low rate.

Dr Paranjpye *Q.*—But would you rather levy a tax on the net profits made by a concern?

A.—Perhaps that might be better.

The President *Q*—Would it not be better still to combine the two?

A—Yes

Q.—May I come to question No. 107? One of the items of property that escape taxation almost entirely in this country is non-agricultural land Is it not?

A—There is the house-tax in municipal areas

Q—That is very low; and generally speaking, in many towns it is not levied at all and if it is levied, it is levied on the house and not on the land Is it not a fact that one of the sources in this country that escapes taxation is land used for purposes other than agriculture?

A—Yes

Q—And you would make 'house-tax and the tax on site imperative in all municipalities'?

A—Yes

Q—That would to a certain extent remove the inequality?

A—Yes

Q—And you don't think that municipalities will ever levy these, because you say that 'the landlords and merchants are so strongly entrenched in the local bodies that they resist all attempts to impose taxation for the benefit of the poor'?

A.—Yes I could speak from personal experience also

Q—What sort of rate would it be fair to impose, having special regard to the fact that there is no other tax on this non-agricultural land?

A—Generally, the rate is fixed in the Government Acts So far as Bihar and Orissa is concerned, the rate fixed for municipalities is 7½ per cent., the maximum for the Patna municipality being 10 per cent.

Q—Is it not extraordinarily low?

A.—I think it is low, but these towns are rather backward and the house-tax does not necessarily fall on the rich In many cases it falls on the poor, because it is customary for a poor man also to own a house in these parts It is a sign that a person is eligible for marriage It is a qualification for a man who wants to marry his son to possess a house of his own. If he has no house, it would not be easy to secure a bride So it is not a tax on the rich only but a tax on the poor also and therefore, it should not be made heavy.

Q—You say in another place, 'In India we are faced with the melancholy problem of breaking the vicious circle of a low expenditure on development and its cause as well as its consequence—disease, ignorance and poverty'. Is it not in the municipal areas that we want to begin breaking up this vicious circle?

A.—But my contention is that in these small backward towns, the yield from house-tax is not very great; and I am very keen that the resources of the municipalities should be increased by this Committee

Q—Would you put a tax of 10 per cent on the landholder?

A—Yes I do not want that the landholder should escape taxation. At the same time I do not want that the poor man should escape it also.

Q—You think that all local assessments should be carried on by independent officers under a central control?

A—Yes

Q.—Because you say it is well-known that the houses of municipal councillors, their friends and relations are under-assessed?

A—Yes, I know it

Q—With regard to question No 120, you would tax agricultural incomes, motor cars, patent medicines and also betel leaf and areca-nuts?

A—Yes, a tax on the *pan*-sellers may be imposed as a part of a general tax on professions, trades and callings

Q—How do you do it?

A—The man who plies the trade will have to take out a license

Q—With regard to the tobacco [illegible]
in the questionnaire, that is, by [illegible]
initial sale by the cultivator to t[illegible]
cept in packages bearing a rever[illegible]
that scheme in this country is firstly the enormously widespread and petty cultivation, secondly, the fact that the bulk of tobacco is not manufactured at all, thir[illegible]
industry. [illegible]
sell by auct[illegible]
strict limit. [illegible]
excise factory made cigarettes You should make all dealers or exporters take out a vend license, so that your cultivator, when he has got his crop ready, [illegible]

A—I cannot give my opinion off-hand But it appears to be reasonable

Dr. Paranjpye *Q*—You oppose death duties?

A—Not in the abstract When the time comes, we can have them.

Q—You know that in the case of Christians they have to take probate. Do you agree that these succession duties are theoretically justified?

A.—Yes

Q.—Your objections then are practical?

A.—Yes.

The Hon'ble Sardar Jagendra Singh. *Q*—What is the theoretical justification for any tax?

A.—If it satisfies the canons of taxation That is, if it is equitable and so on

Q—You take the canons of advanced countries. Do those conditions exist in India?

A.—That is why I oppose the death duties

The President. *Q*.—Do you distinguish between the canons of taxation applicable to one country and another? Are not they generally applicable to the whole world?

A.—Yes, in a way. But all canons will have to be applied with suitable modifications having regard to the peculiar circumstances of each country.

Dr. Paranjpye. *Q*.—You seem to agree with Sir James Stephen. But does not that objection apply to all countries where the death duties are levied even with greater force—especially in countries where there is no joint family system? Because in the joint family system, there would be some other grown up members of the family to look after the family, whereas in other countries if the earning member dies, probably it is not quite so likely that there would be a grown up member to look after the family.

So that the objection, if it applies, applies with even greater force in other countries where there is no joint family system?

A.—Yes.

Q.—Then you say 'The tax besides having the tendency to disintegrate the Hindu joint family will be specially inequitable as its incidence will be largely communal in character'. I agree that it would be communal in character. But I want to put it to you that it would be rather more favourable to the Hindus than to others.

A.—I do not see how.

Q.—Suppose there is one Hindu and one Christian. The Hindu has property which he has inherited from his ancestors worth a lakh of rupees and the Christian has property worth a lakh of rupees. The Hindu has got two sons and the Christian also has two sons. Now, when the Hindu dies, the sons will inherit the property. Each inherits only one-third of the share because as soon as they are born they get a share of the property. So then during the lifetime of the father, the sons were potentially in [illegible] At the father's death, only one-third [illegible] so that if death duties were to be [illegible] [illegible]du, it would be on one-third of the [illegible] [illegible]r hand, will have to pay duty on the whole of the property; so that if the duties were to be levied in this manner on the amount of property passing on death, the Hindu would certainly be at an advantage

A.—That would not be the case with self-acquired property. Again, I do not know whether duties are levied in that way.

Q.—This is the method that has been suggested to us by some of the witnesses, and in that way the Hindu would be at an advantage. Do you agree there?

A.—I agree, if that is the method to be adopted.

Q.—Now, suppose you charge the duty on the Hindu just as in the case of the Christian Would you charge the duty on the whole property? Now the sons have a right to claim partition at any time they like; so that if these death duties were imposed, there would naturally be a tendency for the sons as soon as they come of age to claim partition.

A.—No; I do not think so.

Q.—It may be a matter of agreement in order to escape. At any rate the sons have a right to claim partition at any time. But in the case of the Christian they have no such right. In any case, if there is any advantage at all, it will be on the side of the Hindu.

A.—It may be so in the instance you have given.

Q.—Now, I want to know how it would be communal in character and how it would hit the Hindu hard.

A.—In practice these suppositions won't be realised.

Q.—Under what circumstances it would hit the Hindu hard?

A.—If you introduce the principle of graduation, the fortune of the whole family would be taxed at a very high rate.

Q.—Regard the Hindu family exactly as a Christian family. Tax the whole property on the death of the person If it is a joint family consisting of three members and if one of the brothers dies, tax on one-third of the property.

A.—Then there will be this difficulty. It will act against the solidarity of the Hindu joint family.

Q.—You are a Hindu and I am a Hindu; do you find many cases of members living together after the death of the father?

A.—In these days the family is disintegrating.

Q—Do you find any appreciable number of cases in which first cousins only live together as part of the family?

A—There are many in Bihar and Orissa and in the United Provinces. I have myself got many friends—first cousins living together as members of a joint family Take the case of Bhupendra Nath Basu in Bengal, for instance.

Q.—But suppose the highest member of the generation dies. At the most two or three brothers of the highest generation are living together. Is not there a tendency for these families to divide up after the death of the oldest ancestor?

A—Of course there are good as well as bad points. I know of many cases. There was one man, a Dy Government Advocate in Bihar and Orissa. He fell ill and he had to undergo a very expensive treatment. His first cousins supported him and he is very grateful for the joint family and he says that but for the joint family he would have died

Q.—In a case like that all that is intended to be taxed is his portion only in the family property which he would have got if his family had been partitioned

A—You don't answer my objection You are by law discouraging the continuance of the solidarity of the joint family. In many joint families even the share is not estimated

Q—Any pleader can find it out in ten minutes,

A.—They go on like brothers and don't see the necessity of counting the assets. Once you introduce this system that psychological division may lead in course of time to a real division.

Q.—Whether it will be a communal tax or not, what I want to say is it will after all help the Hindus and won't be a hindrance.

A—I do not expect that your suppositions will be realised.

The President. Q—What is the other alternative method by which the tax would not be to the disadvantage of the community?

A—Dr Paranjpye's scheme applies to ancestral property. What about self-acquired property?

Dr Paranjpye—*Anybody can do as he likes. If you and your brothers are* living together with joint ancestral property, your amount is your own unless the family has paid for your education and if at all you are alive to your interest and if you find that your earning is far more, you probably would get a real separation of your interests so far as your private earnings are concerned.

Dr. Paranjpye. Q—The state allows the accumulation of property and allows its passing to your heirs without any trouble on account of the peace and order it maintains Therefore is it not entitled to a share?

A—I do not say that theoretically that tax is unsound.

Q—When we are talking of so pitching our taxation as to fall more on the people who have broad enough backs to bear it, don't you think it is a fair way of taxing the rich especially when they build up fortunes by windfalls? A man gets property by simply being born into it. He has not worked for it.

A.—It might be suitable to Europe but not to India. There are practical difficulties.

The President. Q.— Can you tell us what they are?

A.—You won't be able to form a proper estimate of the wealth left by a particular person. I have mentioned that in the case of jewellery the difficulty is insuperable.

Dr. Paranjpye. Q—Even in England it is insuperable.

A.—It is specially so in India because of the *Purdah*. When a man wants to become a bankrupt he converts his money into jewels. Similarly it is possible for him to evade death duties by converting money into jewels.

The Hon'ble Sardar Jogendra Singh. Q.—Would you wait till you get full control over the finances?

A.—I would not wait for that ideal before undertaking expenditure on developments.

Dr. Paranjpye. Q.—Assuming that condition is satisfied and the public has got very great control on the spending of the imperial revenues, then do you still object to the death duties

A —There are practical difficulties.

The President. Q —Will you tell us the difficulties?

A —First there is the difficulty of assessing the property Secondly this duty is repugnant to the feeling of the people. It will be extremely unpopular.

Dr Paranjpye. Q.—That has been so everywhere.

A.—Well, this will be more unpopular here. It will lead to evasion and corruption

The President. Q —Can you evade it in the case of land?

A.—In the case of land it cannot be evaded But death duties will heavily fall on the landed classes In England the inroads of death duties are easily remedied by the successor adding to the fortune They engage in commerce and business activities and make up for the lost amount. It is comparatively easy in England

Q —You have observed that estates have been sold in England.

A —You can preserve them much more easily in England than in India. The landed classes are backward in India

Sir Percy Thompson. Q.—Death duties in the present form were brought in by a Liberal Government and strongly opposed by the Conservative party. Very much the same arguments were used against them on that occasion. It was said that it would be unpopular, very difficult to administer and various objections on the lines that you are taking were urged on the occasion. It was brought in, it is being constantly increased and the last increase was by a Conservative Chancellor of the Exchequer in 1920 The same arguments used by you were used then most vehemently.

A —England is very much more advanced than India In England tax is paid more cheerfully than in India. Theoretically I do not consider death duties to be unsound

Dr. Paranjpye Q —Don't you think that in the case of adoption a boy belonging to a poor family by a windfall comes into possession of lakhs.

A.—You look upon it as a windfall; but adoption is a sacred custom The son is regarded as a real son It after all depends upon the way in which you look at things

The President Q —The income-tax and succession duties if levied should be given permanency and you lay great stress upon that in the case of Bihar because it is an agricultural province without adequate land revenue and an industrial province without an income-tax. You have a means of remedying it by imposing this But you object to the latter on the ground of psychological objections and you propose that the province should live on its neighbours.

A.—No, I do not think so.

Q —You sa [illegible]
Government. [illegible]
race with othe [illegible]
cial character [illegible]
habitants fron [illegible]
increase in spite of the fact that it possesses the richest minerals and land in India. In other words, the salt tax levied in other parts of India is to fill the gap which might be filled by the succession duties in Bihar and Orissa.

A.—I do maintain that India as a whole has a duty to her backward parts. A certain minimum of education and sanitation should be enforced.

Q—Your reasons for this province being backward are that an undue share of wealth is going to the landlords and owners of mines and yet you refuse to take back a portion of national wealth in the shape of death duties.

A—Every duty has to be considered on its merits It may be sound from one point of view From this point of view I would have death duties But there are other objections. Agricultural income might be taxed in Bihar for the development of Bihar and the Committee may recommend a mineral tax in Bihar. I would certainly not object

Q—You prefer a tax on agricultural income to death duties?

A—I would consider the first alternative preferable.

Q—Would that be any breach of the permanent settlement?

A—It has been objected to on that ground But I don't think the objection is valid

Q—Your objections are the objections of the Conservatives in 1894?

A.—Yes

Q—You refer to the Australian method of dividing the income-tax Can you tell us what those principles are?

A.—Recently there was disagreement between the provinces and the Commonwealth Government. They were not able to arrive at a final understanding

Q—It was decided that the smaller incomes should go to one and the larger incomes should go to the other

A.—Yes

Q—You agree that life insurance should be a State monopoly?

A—Yes

Q—Will that not be unpopular?

A.—No, why should it be? Of course, any measure of State activity will be unpopular with those classes that are adversely affected.

Q.—It would not be unpopular with the people who have taken out policies?

A.—It would be very popular with them. I myself would go to the post office insurance because the rates are cheap, the security is first class and the administration is very successful

Q—Are you in favour of monopolies of matches and playing cards? Would it interfere with concerns making matches locally.

A.—Yes, they might be bought out by the State.

Q—Is there any local manufacture of playing cards?

A.—I do not think there is much. The importation of playing cards might be prohibited.

Q.—Is it not simpler to levy a heavy custom duty?

A.—I am looking at it from the point of view of profit only.

The Hon'ble Sardar Jogendra Singh *Q*—You believe in protective tariffs?

A—Yes

Q—For protecting industry and raising revenue?

A.—Yes.

17th March 1925.

CALCUTTA.

PRESENT:

Sir CHARLES TODHUNTER, K.C.S.I., I.C S., *President.*
Sir BIJAY CHAND MAHTAB, G.C.I.E., K.C.S.I., I O.M., Maharajadhiraja Bahadur of Burdwan
Sir PERCY THOMPSON, K B E., C.B.
The Hon'ble Sardar JOGENDRA SINGH.
Dr. R. P. PARANJPYE.

Mr. G. S. HARDY, I.C.S., Collector of Customs, Calcutta, was examined.

Written memorandum of Mr. Hardy.

The form of our tariff schedule follows the general lines of the tariffs imposed by countries which have adopted a general tariff for revenue rather than protective purposes Protective tariffs for the most part connote the imposition of a large number of different rates of duty, and necessitate the detailed specification within the tariff of the various articles involved For a revenue tariff under which the majority of articles are at one general rate of duty, the usual practice is that exemplified in the Indian tariff which merely defines broad groups of articles. With a protective tariff the settlement of doubtful cases is achieved by elaboration of the tariff schedule itself. With a revenue tariff, questions of classification as between two groups bearing the same rate of duty are often of purely academic importance, and their settlement is achieved by a series of rulings not embodied in the schedule itself and not immediately published for general information.

2. In the Indian Tariff of 1894, the principal exceptions from the general rate of duty which was then 5 per cent were that certain well-defined groups bore specific duties· that certain less well-defined groups were admitted free: and that a further and still less well-defined series of groups, including machinery and iron and steel required for industrial purposes, were assessable at 1 per cent A series of border-line cases between this last set of groups and various other manufactures [illegible]
and a considerable body of wha [illegible]
as a result. This type of case [illegible]
work in the Custom House, but [illegible]
the imposition of differential r[illegible]
more serious. He may have ten[illegible]
cost vitiated by a wrong assumption as to the duty payable. The discussion of disputed items may involve delay in the clearance of his goods, with loss of business and demurrage to pay. Further, the rigid interpretation of the law may result in a patent inequity in the treatment of two very similar articles.

3. Recent developments of the tariff have greatly magnified these difficulties, and I will first touch on the general group of iron and steel manufactures. In 1894, there were three possibilities in the assessment of such articles They might be free or they might pay either 1 per cent, or 5 per cent. The rates were, however, sufficiently low to render the difference a [illegible] hey [illegible] ave [illegible] 22, [illegible] per [illegible] at
2½ per cent. It is now possible for a steel article to be imported and for the

importer to be uncertain until he has produced it for examination at the Custom House, whether it will be assessed —

(a) free as a component part of manual machinery,

(b) at 2½ per cent as a component part of power machinery,

(c) at 10 per cent as structural iron or steel,

(d) at 15 per cent as hardware, or

(e) at one of the various protective rates of duty

...f having these ... curred in this ... were adopted,

4. A further class of duties which have given a considerable amount of trouble are the so-called "luxury" duties imposed for the first time at 20 per cent in 1921 and raised to 30 per cent in 1922. Many of these relate to ill-defined classes of goods, and one of the most troublesome is the heading which includes manufactures of silk A Bill now before the Central Legislature proposes to solve some of these difficulties by putting a special rate of 20 per cent on certain "mixed fabrics". I do not, however, regard this proposal as furnishing more than a very partial solution, and it may give rise to even more glaring inequities than the present tariff as administered. If the 30 per cent tariff on silk is to be maintained the only method, in my opinion, of dealing with mixed fabrics is that adopted in the United States where the silk rate is applied to goods composed "wholly or in chief value of silk". A similar definition here, while involving some slight loss of duty, would preclude uncertainty and eliminate disputes and would further avoid inequity of treatment as between highly similar article. I doubt, however, whether the realisations from a 30 per cent duty on silk exceed by as much as 50 per cent the amount that would be realised by a 15 per cent duty.

5 Other troublesome items, both for the Custom House and the importer, are Nos. 138, 140 and 141 of the statutory schedule. Books consisting chiefly of pictures, commercial drawings and photographs, partly pictorial posters and enamelled signboards and illustrated religious tracts, are examples of border line cases under the item 138. Metal match-boxes and match-box holders, and combined cigar and tantalus cabinets may be cited under item 140, and under item 141, toy-books, football boots and jerseys, boy-scouts' knives, stop-watches, kindergarten appliances and go-carts to fit a large doll or a small

[illegible]

141, would involve little, if any, loss of duty in my opinion.

6. I am not in favour of any further extension of export duties for revenue purposes. The hides duty, in my opinion, has had a most detrimental effect on the trade. The cardinal objection to such duties from the administrative point of view is the difficulty of satisfactory examination. Imports are all taken out of a steamer and can, within limits, be examined and cleared at leisure. Exports, on the other hand, cannot be delayed without holding up the loading of ... which has been passed fo... a large extent in Calcut... shipped from lighters in ... bility. Even now we are virtually dependent on the honesty of the trade for the proper collection of our jute and tea duties, and though it is satisfactory to be able to record that to the best of my belief these duties are being honestly collected, I am very averse to attempting a similar experiment in other trades.

7. As regards smuggling, I think it would be contrary to public policy for me to express any view as to the adequacy of the measures taken at present or as to t[illegible] r, to the particular [illegible] iew that it is boun[illegible] between the issue [illegible]

Mr. Hardy gave oral evidence as follows :—

The President Q —You are the Collector of Customs?

A —Yes.

Q.—In tariff matters customs are under the Commerce Department and in the matter of administration under the Central Board of Revenue?

A —We do not as a rule communicate direct with the Commerce Department The tariff interpretations come from the Finance Department and the Central Board of Revenue In fact the Commerce Department frames the tariff and the Finance Department interprets and administers it. I do not know how far the latter department refers to the Commerce Department, but we obtain orders from the Central Board of Revenue or the Finance Department as the case may be.

Q —The Tariff Board is so far purely an advisory body?

A —I believe so.

Q.—What the Committee is concerned with mainly is broad principles and not details.

A —I thought the best thing to do was to point out a few possible difficulties in the way of administration.

Q.—Do you think that great elaboration in the tariff is going to be necessary in view of the recommendations made by the Fiscal Commission They say " any considerable extension of specific duties or tariff valuations will inevitably lead, as we have pointed above, to elaboration of the tariff In any case we think that elaboration is desirable " and then they go on with the examination of the tariff and say " from this point of view also, therefore, we must contemplate considerable elaboration of the existing tariff distinctions and a considerable increase in the number of items ".

A.—I think it necessarily follows if you go in for protection, because if you are going to protect particular articles, you must be able to define more elaborately than if your tariff is for purely revenue purposes I do not quite see how going in for more specific duties would necessarily elaborate the tariff very much It is almost impossible to apply a specific duty to an article which is not capable of clear definition.

Q.—You give one instance of the difficulties due to the recent developments of the tariff and give us the case of iron and steel manufactures.

A —Yes.

Q —You say that a particular article may fall under any of the five groups you have mentioned, and your recommendation is that these differences should be eliminated as far as possible.

A —Accepting the principle of protection, this will be impossible so long as you attempt to protect a particular manufacture and leave unprotected other similar articles

Sir Percy Thompson. Q.—Take, for instance, the 10 per cent duty on machinery which you suggest, would it not be objected to by the Bombay mill-owners?

A —I think it would. But the proposal was originally made by the Government of India when they proposed raising several items to 10 per cent. The Assembly took exception to this only in the case of machinery which remained at 2½ per cent, but they left untouched the other items. I think the Legislative Assembly possibly thought they were putting them all back

to 2½ per cent, but as a matter of fact they were only touching one of the several items and forgot to put back railway materials, telegraph materials and the various types of iron and steel. As a matter of fact a great many things are complicated by the protective tariff.

Q.—You say that questions as between two groups bearing the same rate of duty are often of purely academic importance, and their settlement is achieved by a series of rulings not embodied in the schedule itself and not immediately published for general information What is the process observed in regard to the publication of these rulings are they published at all?

A.—Formerly, they did not take the form of formal rulings at all, there was merely a reference by a Collector of Customs to the Government of India, to which they replied in a letter and probably sent copies of their letter to the other Collectors Now they take the form of rulings They are not published, but periodically we compile these rulings in the Custom House Manuals

Q.—I have not seen a Tariff Manual here.

A.—They are compiled in the Custom House but most of them are for departmental use only. Very often they are compiled in such a way that part of the context is left out and one cannot be sure whether the ruling is correctly interpreted without referring to the original.

Q.—I think this particular book is issued for official use only and there is nothing which the traders can get?

A.—I believe they publish one in Burma which is available for the use of the trade.

Q.—The Central Board's rulings and the Government of India's rulings are not published at present?

A.—No

Q.—Is it not desirable that they should be gazetted?

A.—I think if they were gazetted, it will be advantageous to the public

Q.—Then you say that the rigid interpretation of the law may result in a patent inequity in the treatment of two very similar articles Can you not be allowed to use your discretion under the Customs Law?

A.—I do not think so, but sometimes we have to use our discretion owing

[illegible]

follow the American method and assess at the silk rate all goods manufactured "wholly or in chief value from silk". There would be no difficulty in deciding what was the "chief value".

Q.—Now to come back to the machinery, one great difficulty you find is that sometimes the duty on raw material works out higher than on the finished article.

A.—Yes. It may do when there is a protective tariff.

Q.—That is only one of the difficulties to be tackled?

[illegible]

Q.—You have no longer the difficulty when a railway engine is imported to see whether parts of it, like the pressure gauge, are really component parts or not?

A.—Component parts of the machinery, as now defined, are such parts as are essential for the working of the machine and have been given for this purpose some special shape or quality.

Q.—You take the case of pictures, toys, etc, you would not allow a high duty on these?

7. As regards smuggling, I think it would be contrary to public policy for me to express any view as to the adequacy of the measures taken at present or as to the desirability of adopting others With reference, however, to the particular case of the smuggling of opium into Burma, I hold the view that it is bound to continue so long as there is the present wide disparity between the issue prices in Burma and in the Indian Provinces.

Mr. Hardy gave oral evidence as follows:—

The President. *Q* —You are the Collector of Customs?

A.—Yes.

Q —In tariff matters customs are under the Commerce Department and in the matter of administration under the Central Board of Revenue?

A.—We do not as a rule communicate direct with the Commerce Department The tariff interpretations come from the Finance Department and the Central Board of Revenue In fact the Commerce Department frames the tariff and the Finance Department interprets and administers it. I do not know how far the latter department refers to the Commerce Department, but we obtain orders from the Central Board of Revenue or the Finance Department as the case may be

Q —The Tariff Board is so far purely an advisory body?

A.—I believe so

Q.—What the Committee is concerned with mainly is broad principles and not details.

A —I thought the best thing to do was to point out a few possible difficulties in the way of administration.

Q.—Do you think that great elaboration in the tariff is going to be necessary in view of the recommendations made by the Fiscal Commission. They say "any considerable extension of specific duties or tariff valuations will inevitably lead, as we have pointed above, to elaboration of the tariff In any case we think that elaboration is desirable" and then they go on with the examination of the tariff and say "from this point of view also, therefore, we must contemplate considerable elaboration of the existing tariff distinctions and a considerable increase in the number of items".

A —I think it necessarily follows if you go in for protection, because if you are going to protect particular articles, you must be able to define more elaboratel [illegible]
seo how g [illegible]
very mucl [illegible]
is not car [illegible]

Q.—You give one instance of the difficulties due to the recent developments of the tariff and give us the case of iron and steel manufactures.

A.—Yes.

Q.—You say that a particular article may fall under any of the five groups you have mentioned, and your recommendation is that these differences should be eliminated as far as possible.

A.—Accepting the principle of protection, this will be impossible so long as you attempt to protect a particular manufacture and leave unprotected other similar articles.

Sir Percy Thompson. *Q*.—Take, for instance, the 10 per cent duty on machinery which you suggest, would it not be objected to by the Bombay millowners?

A.—I think it would. But the proposal was originally made by the Government of India when they proposed raising several items to 10 per cent. The Assembly took exception to this only in the case of machinery which remained at 2½ per cent, but they left untouched the other items I think the Legislative Assembly possibly thought they were putting them all back

to 2½ per cent, but as a matter of fact they were only touching one of the several items and forgot to put back railway materials, telegraph materials and the various types of iron and steel. As a matter of fact a great many things are complicated by the protective tariff.

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A.—Component parts of the machinery, as now defined, are such parts as are essential for the working of the machine and have been given for this purpose some special shape or quality.

Q.—You take the case of pictures, toys, etc, you would not allow a high duty on these?

A—I do not think the revenue on these items is considerable enough to make it worth while to levy a high duty It is possible that in the case of toys the gain to the revenue has been larger than in some other items. We get a very large amount of correspondence at Christmas time from people who have to pay duty on their children's toys I should favour a lower duty in cases like this where the total gain to the revenue is small.

Q—Have you taken any figures to show what particular class of duty has gone beyond the point of maximum return?

A—I think it is very difficult to say definitely. I think most of these 30 per cent duties, at any rate, tended to lower the imports, though probably not to a point at which it will reduce the revenue. There are, however, a good many other factors which must be taken into account. In the case of books, clocks or watches, there has been more careful collection of duties from the Post Office since 1920 Before that we used to lose a good deal of duty, as we practically did not touch the registered letter mails. Now we have them more or less under our control.

Q.—There is no restriction in the size of letters?

A—A letter may be even 3 feet in size, but the idea is to discourage people from sending anything through the letter post by charging higher rates of postage The only advantage of the letter mail is that it gets through more quickly

Q—In the list of articles that tend to show diminishing returns from increased rates, you will see saccharine is an important one Do you think it has reached the limit?

A—The chief reason is that there has been smuggling on such a large scale that it killed the trade in licit saccharine. When the duty was Rs 20, the market price was Rs. 14, and only a little time ago, it had been Rs. 7 in Calcutta Most of it came over the Siamese frontier into Burma and thence to India Probably the traders have got fair stocks of smuggled stuff.

Q.—Has that been stopped?

A—Most of it has been.

The President. Q—In such occasions, would it be possible to prosecute these people who are selling below the rates for having smuggled articles without paying the customs duty?

A.—I do not think there is any such law under which we can prosecute these people, at least under the Sea Customs Act as it stands now.

Q.—If you find a thing for sale in Calcutta that you can prove has not paid the duty, can you seize it?

A.—I think if it is proved, we could probably seize it.

Q—Supposing you knew all the brands of saccharine which had passed through the *Customs in India and if you found different ones on sale, could* you prosecute?

[illegible]

was that there was no law under which the duty could be levied on goods crossing the frontier.

Q.—After the introduction of the new Land Customs Act, would you take action if you found articles actually in consumption, which could be proved not to have paid the customs duty?

A.—*Only if we can find that it has been imported over the frontier after* the Land Customs Act has been brought into force. Since then the prices have begun to rise, which indicates that the smuggling is being stopped.

Sir Percy Thompson. Q—Manufactures of ivory show a fall in duty, why?

A.—It is so small a trade that it is difficult to stop smuggling.

Q.—The duty on "Plate, Gold and Silver" dropped from more than a lakh and a half of rupees to Rs. 80,000, which, at the actual rate of duty which was in force in 1920, is only equivalent to Rs 20,000

A.—The actual import figures taken from the official returns were—

	Rs
1919-20	6,36,000
1920-21	13,44,900
1921-22	8,28,000
1922-23	7,83,000
1923-24	6,13,000

The figures in the statement you have shown me are lower than those in the official returns, but the proportion is roughly the same

Q.—Is not the decrease rather striking?

A.—Yes

Q.—Do you think it is, to any extent, due to smuggling?

A.—I do not think so. Most of this sort of article comes from Europe. A great deal of it is really cheap and bulky stuff.

Q.—Is not that duty operating as a protective duty? We were told that now-a-days when you wish to buy silver wedding presents, you get only those made in the country.

A.—Perhaps.

The President. *Q.*—What about the import of unmanufactured tobacco?

A.—In all these figures you must take into account the boom year 1920-21 when exchange was high. There is bound to be a decrease after that under every item.

Q.—[illegible]0 was just over a crore of rupees, [illegible] at the rate in force in 1920 it [illegible] fallen in value from 2 crores 13

A.—1920 was the boom year. According to my figures, if you take the previous year, the imports were less than in 1923. The value of the imports were—

1919-20	1 crore	68	lakhs	of rupees
1920-21	2 ,,	56	,,	,,
1921-22	1 ,,	31	,,	,,
1922-23	1 ,,	85	,,	,,
1923-24	1 ,,	56	,,	,,
For the first 9 months of this year		90	,,	,,

There is falling off this year, but I think the trade has picked up a little in the last month or two.

Sir Percy Thompson. *Q.*—Foreign cigarettes have to a certain extent been displaced by cigarettes manufactured in India.

A.—Not to a very considerable extent.

Q.—Haven't they put up big cigarette factories here?

A.—The Imperial Tobacco Company has put up a factory in Madras; but I do not think it is a success.

Q.—Haven't they got big factories in this part of the country?

A.—There is one in Monghyr.

Q.—I think there is one in Calcutta.

A.—I do not think it cuts very much into the import trade.

The President. *Q.*—They have been manufacturing them for many years past.

A.—I do not think they compete much with the import trade.

Q.—Can you give us figures of unmanufactured tobacco for 1923-24 and for the first nine months of 1924-25?

A.—In 1923-24 imports were 4,557,000 lbs. weight, valued at Rs. 48,48,000; the quantity was about 4 times and the value 3 times as much as the previous year. During the first nine months of 1924-25, it was 3,965,000 lbs weight, valued at Rs. 31,11,000.

Sir Percy Thompson. *Q*—What is the duty on unmanufactured tobacco now?

A.—Re. 1 a lb.

Q—What is happening to the unmanufactured tobacco?

A—I suppose it must go into cigarettes made in the country. It went mainly to Madras in 1922-23, presumably it was going into the factory of the Imperial Tobacco Company on the Madras side.

The President. *Q.*—I thought it was the Bangalore factory.

A—Possibly.

Q.—In spite of the tremendous increase in unmanufactured tobacco, there is not a corresponding decrease in cigarettes?

A—No.

Sir Percy Thompson. *Q.*—According to these figures (in the statement) there is a decrease. In 1920 the value was Rs. 3,61,000 and now it is Rs. 1,26,000

A—If you take 1 crore and 60 lakhs, you will find that it is about the average of the last three years, leaving out the boom year 1920. I think probably by the end of this year, it will be a little more than 1 crore and 20 lakhs, as there have been big imports in January and February.

Q.—If you assume that unmanufactured tobacco goes into cigarettes, the consumption of cigarettes must be growing

A.—I suppose that is so Those who formerly smoked an inferior class of cigarettes (*biris*, for instance) are now smoking a slightly better class.

Q.—Is there any intention of protecting Indian-made cigarettes?

[illegible] admitted any [illegible] oard's recom- [illegible] is entirely a

The President. *Q*—Do you see, from a purely revenue point of view, any danger of the revenue from cigarettes being decreased by letting this unmanufactured tobacco come in cheaply to be manufactured in this country?

A.—There has been an increase in the duty realised from unmanufactured tobacco.

Q.—Would an increase above Re. 1 a lb. tend to check the import of unmanufactured tobacco and so increase the duty on the cigarettes?

A—I do not think that the Imperial Tobacco Company are very enthusiastic about local manufacture. I do not think they are going to swamp the markets with the stuff they are making here.

Q.—Is it not very much cheaper for them to manufacture cigarettes here instead of paying the duty?

A.—There is a proposal to impose a specific duty on imported cigarettes. I believe the rate is to be Rs. 7-8 for certain classes and Rs. 10 for others, but I have not yet received official notice of the change

Q.—Is unmanufactured tobacco being touched at the same time?

A.—I do not think so. A considerable part of the cost of turning out cigarettes here is in the tins and paper. In manufacturing 100 cigarettes, less than half the cost would be the cost of the tobacco; the rest would go into labour, tins and paper.

Q.—If the duty is not intended to be protective, ought not the duty to be correlated to the duty on unmanufactured tobacco?

A.—I do not think so, because unmanufactured tobacco, which has been *imported in the past, is very largely used for an entirely different class of*

article, for instance, the Burma cheroots. Many of these contain imported tobacco.

Q.—You say that the locally-made cigarettes are selling at 10 annas per hundred.

A.—I won't quote that as the exact price.

Q.—The whole of the retail price would be considerably less than the duty on the imported cigarettes?

A.—I do not think any one has attempted to import cigarettes to compete with certain classes manufactured in India

Sir Percy Thompson. *Q*—How do "Scissors" compete with some of the locally-manufactured cigarettes in Calcutta?

A.—The paper is not quite as good quality as, for instance, Gold Flake Nor are the Indian cigarettes made from selected Virginia leaf.

Q—We were told that India is increasing its exports of unmanufactured tobacco which are going to England to be made into cigarettes, *e g.*, Gold Flake cigarettes. Unmanufactured tobacco is also imported from abroad and made in India into cigarettes to be consumed in the country. It is difficult to understand how things operate.

The President. *Q*—As regards Prints, there has been a steady decline in the receipts since the increase in the rate of duty. Would you recommend a reduction on that ground?

A—To lower the duty on these three items (Prints, Engravings and Pictures) will involve little loss in revenue The actual duty is very small.

Q.—The values have also declined.

A—One reason for the decrease in values is that lots of picture postcards when came through the post without paying any duty till about five years ago are still not shown as pictures in the trade returns.

Q—Do you treat them as works of art?

A.—No On works of art the duty is only 15 per cent, but if it is a mere picture, it is 30 per cent. It is rather a subtle distinction.

Sir Percy Thompson. *Q.*—On this item "Prints, Engravings and Pictures" the duty in 1920 was 7½ per cent and the yield was Rs. 11,000. The duty has now been multiplied by four and yet the yield has been multiplied by five.

A.—Possibly because now we have been collecting the duty on picture postcards which escaped duty before.

Q—The total value of the goods which include these letter postcards has decreased since 1920. The duty has been multiplied by four and yet the total yields have been multiplied by five. How do you reconcile these figures?

A.—There is some mistake in the figure for 1920: 7½ per cent on Rs. 2,15,000 is not Rs. 11,000; it should be about Rs. 17,000.

The President. *Q.*—As regards matches, there has been a lot of legal evasion by the importation of component parts. You have already got a tax on splints. I suppose that would not appear under the figures of taxes on matches.

A.—I supplied some figures about this to the Commerce Department; I do not know if you have got them. I noticed recently that loose matches were being sold in the streets which look as though they were locally manufactured, possibly to escape the price of the box.

Sir Percy Thompson. *Q.*—The duty on matches is very little short of the value of the matches themselves.

A.—It is about a pice a box.

The President. *Q.*—Jewellery Can you tell us why you have a tariff on precious stones cut, and not on precious stones uncut?

A.—Probably to encourage the local cutting industry.

Q.—Precious stones used to be free at one time?

A.—That is so.

Q.—On pearls, unset, there is no duty; they are free?

A.—This was a concession, I think, to the Bahrein Pearl Fisheries, Bombay being their principal market. The old arrangement was that they were allowed free, because it was easy to smuggle them.

Q.—How do you treat the articles sent by post?

A.—Some of the articles imported by post have not been brought into the trade returns at all. When we started collecting duty on precious stones in the post, we obtained a very big revenue. But I do not think that the diamonds imported by post were shown as such in the trade returns. Now efforts are made to include certain items under their proper heads.

Q.—Now with regard to the suggestion for new duties, one of the witnesses suggested an export duty on coffee and rubber. Another witness suggested an export duty on shellac with the modification that it should be heavier on the stick lac than on the manufactured article.

A.—There is a considerable forest royalty on stick lac in Burma already. Whether it will bear heavier export duties, I do not know.

Q.—Is it levied at the port?

A.—It has to be certified by the Forest Department; we don't pass it without a certificate that the royalty has been paid.

Q.—Practically it is an export duty?

A.—Yes.

Q.—Is anything grown in private forests?

A.—I cannot say for certain.

Q.—We are told that the process of converting stick lac into shellac is now being done in Germany and America, and it has been done cheaper than it can be done in India. Do you know anything about that?

A.—No.

Q.—Another of the witnesses suggested the raising of the duty on cotton goods of higher counts and on woollen and silk goods. Do you think there is any room for that?

A.—Is he not satisfied with the 30 per cent duty on silk goods? I would rather see it at 15 per cent.

Q.—What about an export duty on cotton?

A.—That would not affect us very much here. The Government of India have thought about it for many years. I do not like export duties in general. I think I explained in my note that they are very difficult to collect satisfactorily without delaying shipping.

Q.—Quite a number of witnesses suggested export duties on grain, wheat, etc.

The Hon'ble Sardar Jogendra Singh. *Q.*—Have you any idea of the export duty on grain and foodstuffs? Will it not have the effect of cheapening the food in India and producing revenue also at the same time?

A.—I do not think an export duty on wheat is any more objectionable than export duty on rice. There is already a duty on rice.

Q.—What is the duty on rice?

A.—As. 3 a maund.

Q.—Have you any idea what revenue it yields at the ports?

A.—It produced one crore and sixteen lakhs last year and most of it comes from Burma.

Q.—If all the foodstuffs were charged at the ports, it would be several crores?

A.—Yes, probably as much again as the rice duty.

Q.—Have you any idea of the effect so far as the consumer in India is concerned? Will it cheapen food? Who will pay it, the exporter or the producer, or the consumer, or is it divided among all the three equally?

A.—The export duty on rice is really so small that I do not think it is felt by the consumer.

Dr. Paranjpye. Q.—Practically Burma is the only rice-exporting country in the world.

A.—Not quite, about a fifth of the quantity comes from Bengal

Q.—But if Burma rice is stopped altogether from going out there will be a world shortage. That would not be the case with regard to wheat

A.—After all much less rice is grown in Burma than in Bengal.

Sir Percy Thompson Q.—Suppose you put an export duty on wheat; would not that tend to restrict exports?

A.—Yes; it would.

Q.—If it tends to restrict exports, would it not tend to restrict the amount grown? Is not that rather dangerous from the point of view of famines? Otherwise, in ordinary years you would have a surplus to export and in bad years you may have it for home consumption

A.—Yes; that is so.

The Hon'ble Sardar Jogendra Singh. Q.—Would a small duty make any difference?

A.—I think that the rice duty is so very small that it does not affect the trade one way or the other.

Sir Percy Thompson Q—Is not there this difference between rice and wheat: that with rice India fixes the world price, whereas with wheat the world price is fixed elsewhere and India has to conform to it?

A.—Yes.

The President. Q.—Is not the position rather this? The Fiscal Commis-

two cases, however, are by no means parallel. We have argued that rice for export may be regarded as a semi-monopoly of India. No such claim could possibly be made in the case of wheat. The export of Indian wheat to the United Kingdom, which is the main market, though in the years immediately before the war, amounting to about 15 per cent of the total imports of the United Kingdom, has dwindled in more recent years to only 4 per cent.

duty on wheat would fall on the producer?

A.—Yes.

The Hon'ble Sardar Jogendra Singh. Q.—Do you hold the same view about oil-seeds?

A.—I am not keen on export duties at all, because I think they are very troublesome to collect. You cannot adjust your duty before the goods leave.

Q.—The difficulty of collection is in the way of export duty on oil-seeds?

A.—*It is always unsatisfactory to discuss what you have to pay after the* thing has gone, and the collection of duty itself hampers the freedom of export trade much more than the freedom of import trade.

The President. Q.—The Fiscal Commission Report says "The main result therefore of imposing a protective export duty on oil-seeds would be that the producer would be sacrificed to an unsound economic theory, and that the production of a valuable crop would be discouraged."

A.—I accept that.

The Hon'ble Sardar Jogendra Singh. Q.—There is the other view that the oil-seeds that go out of the country are needed for manufacture and it is a good thing to stop the oil-seeds from going out. That is the view widely held by agricultural experts.

A.—I am not an agricultural expert.

Q.—How do you collect your duty on sugar?

A.—It is a tariff valuation duty.

Q—Has it had any influence on internal prices?

A.—The prices are very low at present. The prices of imported sugar depend on world prices largely and are little affected by the duty.

Sir Perry Thompson *Q*—Have not the world prices of sugar fallen enormously?

A—Yes

The President *Q*—The duty is *ad valorem*?

A—Yes, 25 per cent. It is now proposed to convert that into a specific duty

Q.—No variation with price at all?

A.—No

The Hon'ble Sardar Jogendra Singh. *Q.*—In assessing the duty, do you assess it in rupees or in foreign money?

A.—We take the tariff valuations For instance, Java white sugar is taken at Rs. 17-8 a cwt. and we collect 25 per cent on that.

Q—And in the case of other duties which you collect, does the exchange play any part at all or do you have a fixed rate?

A.—Exchange does play a part in some cases.

Q—Therefore, a high exchange must have an influence in lowering the customs receipts?

A.—Yes.

The President *Q.*—You object to the duty on hides?

A—Yes.

Q—You recommend abolishing it?

A.—It is one of the most difficult things to collect satisfactorily. It has affected trade adversely, especially in Burma.

Q—The Fiscal Commission, while recommending that the export duty on hides should be abolished, said that possibly a small revenue duty on skins could be justified on the ground that Indian goat skins formed a monopoly. Do you agree with that at all?

A—On that ground, yes But I would like to see the duties even on skins abolished on account of the difficulty of satisfactory collection.

Q.—And the duty on tea? Have you any views on that one way or the other?

A—I have no strong views.

Dr. Paranjpye. *Q.*—Are you satisfied with the efficiency of your collection agency?

A—Efficiency as a whole?

Q.—Yes.

A.—I think I should prefer not to say anything specifically on this point.

Q.—It is generally believed that certain appointments in your department are most sought after. I am only talking of the general impression in the mind of the public.

A.—*You mean that there is dishonesty in certain departments?*

Q—Yes

A.—There may be; but any case that we discover we deal with very drastically. But it is difficult to get conclusive proof about such matters.

The President. *Q*—That is one of the reasons why it is advisable to have specific rates when your duties are high.

A.—That would not necessarily mean that frauds would disappear. In fact, it is probably easier in some cases to defraud revenue with specific duties than with *ad valorem* duties. One is a question of quantity and the other is a question of value.

Q—Can you explain the machinery with regard to the audit conducted inside the Custom House?

A.—We have two audit departments in the office itself. One of them sees every transaction that takes place on the revenue side, and audits all transactions, except a few expenditure matters audited by the Accountant-General. They check calculations and to some extent they attempt to check the valuations accepted by the appraiser If they find the same class of goods imported by two different merchants valued at different rates on the same day, they would call attention to that They are also responsible for calling attention to omissions or defects in procedure The peripatetic audit by the Auditor-General's representatives takes place every two years and it tests the work of the past two years. They select a particular month for a particular branch and check the accounts.

Q.—Can you give us a general idea of the result of the last check? Were any grave irregularities discovered?

A.—I was not here last time. I think there were some grave irregularities at that time; and I do not know how far the Auditor-General was responsible for unearthing them. But certainly that audit is very useful A very searching inquiry is made; but it is generally too late to rectify any irregularities that may be discovered.

Q.—The question was raised about the Indian-made salt being barred from the Calcutta *golahs*, whereas the salt from abroad came in bulk without the payment of any duty or without coming under the regulation, as in the case of the salt from Madras factories. The salt from the Madras factories has to travel under a bond which covers the duty as well as the cost price and cannot enter the *golahs* when it arrives and secondly has to bear interest on the duty. Has this been made a matter of complaint?

A.—No such complaint has been received by me since I have been here.

Q. Perhaps they have given it up They have been hammering away at it for the past half century. The chief demand is that they should be allowed to put salt in railway wagons, and that it should be subjected to the same treatment as the imported salt. Failing that they should be allowed the same treatment when they bring it in by sea I am told that certain vessels are not allowed to approach the *golahs* and discharge the salt.

A.—I do not know that, but of course, only very small vessels can go alongside the *golahs.*

Q.—Ships carry comparatively little salt and it would not be worth the master's while to come along for the sake of salt. Have you Bombay salt in your golas?

A.—I am afraid I cannot say off-hand.

Q.—Do you recover any duty on wastage in the *golahs?*

A.—We charge duty on all salt that goes into the *golah* but an allowance is made for reasonable wastage.

Q.—The owner pays duty only on what goes out if the waste is reasonable.

A.—Yes

Q.—The loss in weight during the transit falls on him.

A.—The merchant here pays the duty.

Q.—Suppose the merchant here purchases salt from Hamburg and Tuticorin. In one case it is liable to duty on wastage from the time of purchase, and in the other case it is not. The duty is many times the cost price. He wants to get into the *golah* in order to escape that.

Sir Percy Thompson *Q.*—Supposing a thousand maunds of salt manufactured in Madras, and which has paid duty is put on board; when it comes to Calcutta, you charge duty again.

A.—That is according to the Sea Customs Act.

The President. *Q.*—But do you charge the locally-made salt?

A.—Yes, we do so according to the Sea Customs Act.

Q.—Surely, there are rules under the Sea Customs Act to cover all that. Very often a ship cannot get into the *golah*.

A.—Under the Sea Customs Act salt and opium are liable to duty if they come from a coastal port.

Q—The duty on wastage caused during the transit is paid in Calcutta before clearance?

A—Yes

Q.—How long have you been here?

A—Five months

Q.—Two years ago our Salt Commissioner came here to see if some action could not be taken I would like to see the papers connected with his visit. Will you allow the Committee to have access to them?

A—Certainly.

Q—We should also like to see the *golahs.*

A.—Will to-morrow morning suit the Committee?

The Hon'ble Sardar Jogendra Singh. Q.—*What effect is the duty producing* on the import of steel?

A—It would take a very long time to estimate the different effects on all the different items.

Q—Is there much dumping going on?

A.—You mean, are imported articles sold here at a lower price than in the country of origin? I am afraid I have not made enquiries on this point.

Professor AKSHAY KUMAR SARKAR, M.A., Offg. Professor of Economics, Hooghly College, Hooghly, was next examined.

Written memorandum of Professor Sarkar.

Q. 1.—"Agricultural Statistics of India" and "Estimates of Area and Yield of Principal Crops of India" of the Commercial Intelligence Department are no doubt good sources for scientific calculation of the annual wealth of the country.

Q 4.—These statistics are defective and the method of collecting them may be improved, in Bengal, by handing over the work to the Inspecting Agency of the Education Department. The Divisional Inspectors with the assistance of their subordinate touring officers, and the local teachers of the *Government as well as the aided schools, are expected to collect the informations* better than the illiterate and irresponsible village chowkidars or their Police superiors. A graduate headmaster of an aided high school of which the number is about 1,000 in Bengal, is surely a more intelligent agency in this respect than the *Chota Daroga* of a thana or even the President of an Union Board. Services of the under-graduate teachers of the M. E. or M. V. schools, and of the trained *gurus* of the *pathsalas* may be available for this sort of honorary work, if required by the Inspecting Agency of the Government.

Q. 6.—(1) Useful collection of information in this respect may be attempted from substantial employers of manual and clerical labour for industrial and commercial purposes. But the better method would be to collect these informations directly through the Government agency in the Department of Statistics.

(2) and (3). Statistics of prices from trading proprietors and those of rentals of house property from landlords may not serve any useful purpose, as they are likely to be tampered with for trade purposes and evasion of due payment of income-tax. Legislation for the first method may be undertaken for all India.

Q. 13.—A single general principle need not be laid down *re* the return from a Government commercial or semi-commercial undertaking. I think (*a*), a bare return on the capital invested in railways should be prescribed. Because railways as an agency of the economic development are directly help-

ful to the production of wealth and indirectly helpful to the revenue of the state.

(b) A commercial return may be insisted on in some Government enterprises the benefits from which are likely to be appropriated by private parties otherwise. Government irrigation canals in the permanently-settled areas may be run on commercial principles of return while those in the *khas-mahals* or the temporarily-settled estates may be run on a different system of bare return on the invested capital.

(c) Certain concerns, *e.g*, the opium manufacture, public distilleries may be appropriately run on the principle of monopoly profit

Q. 14 (f).—There is an element of taxation in the profits of the rupee coinage in India. In normal times (before the war) there was a high profit (more than 40 p. c.) in the rupee coinage This was surely much more than the brassage. The payment was compulsory as men cannot but use the currency and as they cannot get it from any other source than the Government.

Q. 21.—Very few indirect taxes may be voluntary and most of them are compulsory. The customs on the imported steel joists, Manchester piece-goods and many other articles are surely not voluntary. People must use them and must pay taxes on them.

There may be a few articles, the taxes on which may be evaded through [illegible] 's or social cus- [illegible] necessities, and [illegible] use. A heavy [illegible] ornaments as portion of dowries, cannot be regarded as voluntary. The indirect tax on a motor lorry, again, is not voluntary, when it is a necessary factor in the organisation of a business.

Mere luxuries sometimes are in the list of optional consumption of a man, and taxes on them may be regarded as voluntary Certain kinds of foreign scents, letter papers, fountain pens, etc., are used by a class of people in India who are not habituated in the use of those articles and can give up them without the least social inconvenience or mental discomfort. Any inconvenient rise in the prices of such articles will lessen their consumption almost automatically, and those who will still continue to use them, can give them up whenever they will like to do so. Taxes on such articles may be regarded as optional.

Q. 23.—The consumption of tobacco in *hukkah* is not a luxury in India. Mostly it is a conventional necessity and to a considerable extent it is a necessity of a higher degree even An Indian cannot dispense with its use as the least costly means of social amenity and however high may its price rise he will be compelled to purchase it. Thus any tax on ordinary country-made tobacco (not manufactured cigars and cigarettes) is sure to impose an economic burden on the millions of India.

The tobacco smoking in the case of the manual labourers may even be regarded as necessary for the efficiency of their labour.

Q. 24.—Taxes on certain kinds of entertainments in town areas, and higher class (second and first) railway tickets may be justified. Such taxes [illegible]

on the ground of causing obstruction to movement in response to economic [illegible]

Q. 27.—In this country the principle that every member of the community should pay a tax, should not be adopted. It will lead to hardship in many

cases, *e g.*, in the cases of widows who do not earn their livelihood. At the same time it is not possible to grant practical exemption to all such persons from many indirect taxes which are necessary and equitable impositions from various other points of views.

[illegible]
for [illegible]
earı [illegible]
men [illegible]
means, should be exempted from all direct taxation. This is not the case regarding the local rates and particuladly the chowkidari tax in Bengal. Statutory prohibition of such direct impositions may be considered.

Q 28 —Not in all cases. The dogma that taxation should go hand in hand with representation should be interpreted to mean that a tax-payer has a right to be represented and not to mean that none but those who pay taxes should be represented Fancy franchise on intellectual basis is of great necessity in this country for the proper guidance and organisation of the coming democracy.

Qs. 29 and 30.—The imposition may be of mixed character, direct and indirect both

The poll tax may not be so objectionable as regarded by many, if levied with proper restrictions and limitations.

Q 31 (3).—The chowkidari tax is a very bad one from more than one point of view Its collection is expensive, its incidence on the poorest is high, and it is a source of vexation to all Such a direct tax should not be imposed.

An annual capitation tax of four annas on all adult males with liberal and considerable exemptions in cases of physical incompetence or religious vow may be practicable and economical. The collecting agency should be the collector of the district and the assessment and collection may be made through demand notice by the collector and evasion or default in payment may be penalised. The income-tax process may be the model for the assessment and collection.

Q. 32.—The profession tax in the case of the lowest classes, will be more objectionable than the Customs or excise duties, as more irritating and less economical in collection, and perhaps less equitable in assessment. However in case of extreme necessity, a plough tax of eight annas a year may be considered in the rural areas.

Q. 33 —In India the rates of income-tax are unfairly high in case of the low incomes and indulgently low in case of the high incomes Up to £500 the rates may be lowered and from £1,000 the rates may be raised, the highest rate being 50 per cent.

Q. 35.—I advocate a differentiation regarding the rate of income-tax on earned and unearned incomes. On the latter income the rate may be made higher.

Q. 36.—No Not only such a practice will be of inquisitorial nature but it will set a premium on dishonesty and is very likely to defeat the purpose.

Q 38.—I am strongly in favour of the removal of the exemption of incomes derived from agriculture. A distinction on principle between the actual earnings of the farmer and the mostly unearned increment of the absentee landlord is sound from the point of view of equity as well as economy, but does not seem to be necessary in practice so long as the present limits of exemption from income-tax are maintained. The present exemption of the so-called agricultural incomes of the Bengal zamindars is highly objectionable as causing an invidious distinction on impositions on different kinds of capitalist earnings. The earnings of the zamindars are nothing but the earnings of their capital invested in land, and there cannot be any justification for exemption. This exemption has caused the loss of a large revenue to the State and there has been no compensatory gain in the way of improvement to agriculture or in any other way.

The injustice to the community has been aggravated by the faulty method of calculating a zamindar's income for settling the income-tax rates on his non-agricultural income The zamindari may be worth five lakhs annually but if his agricultural income is four lakhs, he will have to pay income-tax not only on one lakh but also at a lower rate than his whole income makes him liable to The rent roll of the Bengal zamindars after the payment of the land revenue is worth ten crores of rupees approximately. If, on the average, a five per cent tax may be realised on their income, the sum may be totalised at 50 lakhs annually.

Q. 40—I am not in favour of lowering the Indian limit of exemption. The poorest incomes that are taxed are mostly earned by the middle class people who are to reside in dear urban areas and to maintain a higher standard of living than the payers of the land revenue generally who live simple and less costly life in the rural areas.

Q. 48—I generally agree with the statement that "the rule that necessaries should be free and that indirect taxes should fall only on luxuries [illegible]

a tax.

The salt tax may be retained but its rate may be made very low in ordinary times. Only on an emergency it should be resorted to as a substantial source of revenue. I am against its total abolition on the grounds (*a*) that it makes everyone to pay a little towards the revenue of the State, (*b*) people are familiar with it and (*c*) in case of emergency the re-imposition will be irritating

Q. 49.—I would like to see an excise tax on (*a*) chewing gum, (*b*) cigarette paper, and some other articles of luxury with regard to which any industrial development is not expected to be ultimately conducive to any good to the country The capital invested in such industries if diverted on account of the presence of taxation to some other more useful channels, the country will be economically benefited.

Q 50—Indirect taxation may be of graduated rates so as to fall with heavier impact on the wealthier classes.

Such graduation may be practicable in some cases, *e g*, fashionable dresses and furniture, silver and golden wares, costly drinks, smokes, and a few other articles of similar character.

Q. 51.—I agree in the principle quoted about the salt tax and I am in favour of its retention as the best method of realising a part of the revenue from the poorest classes. But I am of opinion that the present rate is very high, that in normal times the rate should not exceed annas eight per maund and may even be less, that is, annas four per maund The salt tax should rather be an emergency tax for meeting expenditures on abnormal occasions when no other source may be available.

Q. 61.—I do not anticipate the introduction of total prohibition now or in the near future, in selected areas or generally.

So long as the human nature will remain as it is, any scheme for total prohibition will not only be costly and unpopular but also ineffective and harmful in a good many cases. To maintain the health and efficiency of labour, the *pachwai* (country liquor of a particular kind) is a necessity, and its total prohibition will be economically injurious to the country.

Q. 96—Rent may be defined as payment for the enjoyment of differential economic advantages in employing capital and labour on land to its proprietor. The payment must be not only legally but also in actual fact voluntary.

Tax is compulsory payment to the State The land revenue is a tax when the payment is compulsory and to the State and when it exceeds the amount of economic rent The monopoly of the State landlordism and the manner of assessment and that of the realisation of the dues and also the necessity of the majority of the people to fall upon land as the only source for the employment of their labour and capital, have made the Indian land revenue in

the temporarily-settled states akin to a tax. On the other hand, the Saharanpur rule limiting the assessment to the 50 per cent. of the net product, the innate nature of the agricultural industry and long term of settlement and the consideration at the time of the resettlement have made it like rent. On the whole, I think, the Indian land revenue partakes more of the nature of a rent than of a tax, and this characteristic is likely to develop along with the growing force of the public opinion on the administration of the country and also along with the industrial progress and the opening out of the new avenues for the employment of labour in India.

Q 100—On the analogy of the income-tax exemption, an exemption limit is necessary in the case of the agricultural earnings also. This limit may be Rs. 2,000 as in the other case.

It is quite practicable An average income may be worked out on the basis of the plough or the acre. The net income may be calculated after a proper allowance is made for the necessary expenditures of the farm including the payment of the land revenue.

It is not necessary to make any exemption from payment of land revenue. Even if such an exemption be allowed further fractionisation of holdings may be easily prevented by the imposition of a high penalty fee on conveyance causing an economic fractionisation of holdings.

Q. 102—In agreement with the principle that "in old countries newly discovered natural resources of high value should not be allowed to become private property," I like to see waste land newly brought under an irrigation scheme, retained as property of the State.

Q. 106—I think that the two principles—the ability to pay and the benefits received—may be combined in both the cases, that is, (*a*) the national or onerous services, and (*b*) the local or beneficial services Such a combination, I think, is an unavoidable necessity in the case of the local services. The chowkidari tax in Bengal and the Union Board rates are imposed in accordance with this combined principle. No improvement in the rural area is possible if the service principle alone be accepted for raising money for excavating tanks, sinking wells, making roads or erecting dams to prevent floods. The first principle may be more vigorously accepted in the above cases than the second which may claim for vigorous application only in those cases where a direct and specific economic advantage to the parties accrue. Thus if a tank be dug or a dam be raised for irrigation purpose, the assessment may be based on the specific benefit principle. Actually in Bengal the peasants distribute the common expenditures when incurred for irrigation, etc., on the principle of specific benefit received.

Q. 119.—Taxes may be imposed on business profits, hotels and mines after allowing a reasonable exemption limit.

Q. 120.—(i) I am not in favour of an universal income-tax, embracing every income and varying with the size of the family. Such an imposition will be unpopular and uneconomical. The assessment will be difficult and very often unfair, and the collection will be costly.

(*ii*) I am in favour of an income-tax upon agricultural incomes, succession duties, registration fee on marriages, tax on houses, tax on motor cars and other vehicles, primarily used as articles of luxury, horses and other means of display.

(*iii*) A tax on dowries to vary according to the amount of the dowry would be very commendable. The dowry system has become a veritable source of ruin to the middle class people in Bengal. It not only puts a ruinous pressure on the bride's party who is to pay but also does not commensurately

benefit the bridegroom's party who gets it. Much unnecessary and conventional expenditures are incurred which were not in vogue a generation ago. Thus a sum of wealth is lost to the society to no purpose. From the scale of payment of dowry in Bengal, it may be said that a substantial amount of revenue may be secured to the State and at the same time a growing evil may be diminished. A respectable gentleman may be made an agent of the Government with the approval of both the parties, who will be responsible for submitting an account of the dowry on which the assessment will be made. The position of the agent will be like that of an election agent.

(iv) I agree in Professor K. V. Rangaswami Ayyangar's programme of new taxation with the exception of the universal inhabited house duty.

(v) I agree in the opinion of Mr. Vakil *re* an export duty on jute and a marriage duty of one rupee payable by either party. During the Muhammadan period and the early British period in Bengal a marriage duty was imposed, and such a duty will no doubt be a substantial source of revenue in Bengal and will not be minded much as an occasional payment, especially as the occasion is one of expenditure. There is a custom among peasants, even to-day, in many parts to make presents of *dhutis and chadars* (cloths) to their zamindars or their agents, on the occasion of marriage in their families.

Q. 137.—I am strongly of opinion that duties on inheritance or succession should be imposed for raising a part of the necessary revenue to the State, [illegible] of such duties as well as the modern [illegible] imposition may lessen the zeal of the [illegible]ses is weak and if the imposition be [illegible] limit of Rs. 25,000 for an individual [illegible] will be an excellent one.

Q. 138.—Taxes on inheritance may be made to vary according to the size of the State or with the amount inherited by each individual heir. The de[illegible] dishonesty. I[illegible] well as eco-no[illegible]he heir and will enable him to have a good start in life and also will satisfy the socialistic principle of economical distribution.

Q. 140.—After a reasonable limit of exemption, say Rs. 25,000, the scale of imposition may be like that in England.

Q. 143.—I do not agree in the view of S[illegible] "that a succession duty in India [illegible]er the system of joint family and jo[illegible]e demise of the head of the family [illegible]not of additional strength to survivors, but rather of weakness, owing to the earning member of the family being cut off, and the consequent difficulty of making the property pay."

If small properties be exempted there will be no harm to anyone.

Professor Sarkar gave oral evidence as follows:—

The President. *Q.*—You are the officiating Professor of Economics, Hooghly College?

A.—Yes, Sir.

Q.—We come to question No. 13, where you say that a single general principle need not be laid down regarding the return from a Government commercial or semi-commercial undertaking. You say commercial return may be insisted on in some Government enterprises the benefits from which are likely to be appropriated by private parties. That is your test?

A.—Yes, Sir. I have referred to it by having permanent settlement in mind. In such tracts the benefits of irrigation works will accrue mostly to the zamindars.

Q—Then we pass on to the voluntary taxes, and in the case of tobacco you say that it is a conventional necessity and to a considerable degree it is a necessity for the efficiency of labour?

A.—That is my personal experience. I have got a farm of my own and I have seen with my own eyes that labourers cannot work efficiently without a pinch of tobacco every half hour. It is absolutely a necessity and not a luxury. The farm is in the Hughli district. There I have seen the labourers smoking three or four times from the morning to the evening We know unless tobacco is given just in time they won't work efficiently.

Q—In question No 61, you refer to *pachuai* as a necessity. Do you regard this also as essential to maintain the health and efficiency of labour?

A.—That is my personal opinion

Q.—Do you know if doctors recommend it as essential to the health of *the labouring classes?*

A.—I do not know what doctors say about it and I do not know whether the opinion is scientifically correct or not, but I think it is a necessity for the efficiency of the labouring classes

Q—Would you say the same about opium?

A—Generally the labouring classes do not take opium. Only after a certain age the middle class people begin to take opium. It is not taken by the labouring classes But they do take *pachuai* or tobacco as a matter of course and it is a necessity for them Perhaps some smoke *chandu* as a sort of intoxicant.

Q—Is *chandu* a conventional necessity?

A.—No.

Q.—Is *ganja* a conventional necessity?

A.—No

Dr Paranjpye Q.—Suppose if it were a question of an alternative tax either on tobacco or salt, which would you rather have?

A.—That is very difficult to say, but I would rather have a tax on salt than on tobacco. I think with regard to a tax on salt, people have become familiar with it and the incidence is very low.

Q.—Supposing you get the same amount of money from the tax on *tobacco as from the tax on salt, which would you rather choose?*

A.—Even then I would prefer the tax on salt.

Q.—Don't you think it is possible for a man to be without tobacco, but it is impossible to be without salt, as it is a necessity for every man?

A.—I think it is equally impossible for some people at least to be without tobacco. In their case tobacco is as much a necessity as salt.

The President. Q.—With regard to question No. 27, you go to the length of recommending a statutory prohibition of direct taxation.

A.—I don't say with regard to all direct taxes, but I mean that in the case of chowkidari tax, certain exemptions should be statutorily provided for.

Q—You don't mean statutory prohibition of all direct taxes?

A.—I don't mean that.

Dr. Paranjpye. Q.—Does it mean even if a direct tax like the poll tax is levied, you would exempt people who are not expected to earn anything because of social or religious restrictions? I would like you to explain to us about this in a little more detail?

A.—I mean by social or religious restrictions that because of religious vows or social customs some people are debarred from carrying anything, for example there is the middle class Bengali widow; because of her social [illegible]

[illegible]

made.

Q—What do you mean by religious restrictions?

A—I mean here people who are leading the life of a *sadhu*. I think, they are not to work at all.

Q—Do you think the State should encourage such lives of lazy indulgence?

A—I do not say that. But I should certainly think that a *sadhu* of the status of Bhaskaranand Swami should be exempted.

Q.—But don't you think in such cases there will be hundreds of his *chelas* who would be prepared to pay for him?

A—But I think that though the *chelas* may be prepared to pay, he should be honoured by such exemption.

Q—But if there are one or two deserving men from this point of view, there may be thousands of others who will be frauds.

A.—Then you need only exempt really deserving people and charge the people who come with supposed fraudulent religious grounds.

Q—Don't you think it is much better to let the disciples pay for one deserving *sadhu* than to leave scope for thousands of fraudulent cases?

A.—I think even in the case of income-tax it happens like this.

Q—I do not think so.

A.—My analogy is that if the exemption of income-tax up to Rs 2,000 can be granted, and if A says that his income is less than 2,000 rupees when his income is actually more than 2,000 rupees, he may be prosecuted. Similarly in the case of *sadhus* who pretend to be religious *sadhus*, some sort of inquisitorial procedure may be adopted. It is a theoretical point of view; whether in practice it is feasible, can be settled afterwards.

The President. *Q*—You condemn chowkidari tax? On what grounds?

A.—Surely I do condemn it. I have practical experience and during the non-co-operation days when the Union Boards were about to be boycotted, I had to edit a pamphlet at the instance of the Commissioner, Burdwan Division, defending the Union Boards and I found from my personal enquiry that the chowkidari tax is very unpopular. Secondly it is realised in such a way that it causes hardship to the people. I do not say that Union Boards should not impose any tax, but they should make the exemption limit statutory. Government should pass a law saying that certain classes of people should be exempted from the Union taxes. Otherwise the Union Boards impose these taxes in such a way as to cause much hardship to the poor people.

Q.—I think the Act allows for exemption.

A.—But I say the Act should lay down definitely that exemption should be granted. Exemption should be compulsory.

Q.—Is it not provided by the present Act?

A.—No, it is not provided by the present Act.

Q.—Would you test this tax by Adam Smith's four maxims?

A.—I test it from Adam Smith's four maxims that unless proper exemption is compulsorily granted, it would contravene Adam Smith's maxims. I say an exemption limit should be made just as in the case of income-tax payers.

Q—You say the chowkidari tax is bad from more than one point of view?

A—Yes, it is unpopular and causes hardship to the poor people.

Q.—You suggest such a direct tax should not be imposed and an annual capitation tax of four annas on all adult males with liberal and considerable exemptions in cases of physical incompetence or religious vow may be practicable and economical. You make no exemption for poverty?

A—Yes, that will also be a ground for the exemption.

Q.—You say only physical incompetence and religious vows.

A—But I say physical incompetence leads to poverty.

Q.—Then you won't exempt a man simply because he is a poor man?

A.—I would exempt only if he is too poor. My meaning is that even if a man is crippled and still he is earning something, I would not exempt him.

Q.—Let us leave him out, but your tax of 4 annas a head would mean, that you propose a tax on all adult males whether they are labourers in the field or millionaries. Would you adjust your proposal as regards the chowkidari tax with reference to the canon of ability to pay?

A.—But the poor people are generally not able to pay the chowkidari tax as its incidence is much greater than the incidence of the proposed capitation tax I have proposed.

Q.—Surely it is just the same on the poorest man in the case of capitation tax.

A.—Yes, if he is physically incapable of earning his income I would exempt him.

Q.—Then you are entirely in favour of regressive taxation?

A.—Yes *In this respect only.*

Dr. Paranjpye. Q.—You say that you would exempt cases of physical incompetence or religious vow, don't you think that everybody would begin to say that he has got a religious vow and could not work?

A.—It is again a practical question that I am not prepared to answer. I don't think there will be many people who would take a religious vow to escape a four annas capitation tax.

The President. Q.—You say the collection of chowkidari tax is very expensive, can you suggest a better method of collecting?

A.—At present it is not always collected by the panchayat, but the collection is made by the paid collecting sirkar of the Union Board. It is only where the Union Boards have not been started the panchayat collects this tax. I can give you a very approximate idea of the cost of this collection. Of course my figures must be subject to correction. If you say that 600 rupees are collected only, out of this 300 are on account of the chowkidari tax and 300 are on account of other optional payments by the villagers for improvements of roads, etc. We should not regard this as a tax and where the Union Boards have been started this principle has been accepted that the finance is *divided into two departments, one for improvements of sanitation and the* other for compulsory services. In the Union Board budget the demand for chowkidars must be provided through the law and through the dictate of the Collector, because the Collector has to see that the Union Boards provide adequatel[illegible] l at a cost of 12[illegible] tax. If we say [illegible] tems, even then [illegible] at I regard as very heavy.

Q.—Why should not the Union Board itself collect?

A.—Because its organisation is composed of purely non-officials and unless they appoint some paid agency, they cannot do it.

Q.—Do you think it will be in any way easier to collect your proposed poll tax or plough tax?

A.—I think it will be easier, because in the plough tax, the assessment would fall on fewer persons than in the case of other taxes.

Q.—How would you collect the plough tax?

A.—I think it can be very easily collected through the zamindari agent or the *gumasta*, who now collects the road cess for the District Boards.

Q.—Suppose the zamindar has no concern with the lands in his village, even then you would ask him to collect?

A.—I know in some cases where the lands have no concern with the zamindar, rent free lands, the road cess is collected by the zamindar or his *gumasta*, so it will not be very difficult in this case.

Dr. Paranjpye. Q.—*Would not this plough tax be regarded as an infringement* of the permanent settlement?

A.—I do not think so. If the road cess has not been regarded so, why should this be. The only question will be whether you will earmark the

plough tax for a particular project or not. If this sum is imposed on the landholders for payment, I do not know how it will infringe the permanent settlement, but if it is only imposed on the tenants there is no such question at all. A tax on tenants, how can it be an infringement since there is no permanent settlement with them at all?

Q.—You mean plough tax should be imposed on the tenants?

A.—Surely. Whether ultimately it will be paid from the land or not affecting its value that is not the question; even if that is the question, so long as it is only on the share of the tenant it does not infringe the permanent settlement. I mean that if the plough tax has its incidence on the tenants then it may be paid out of the tenants' share of the produce on land, then it is not an infringement of the permanent settlement

Q.—But the tenant is actually paying his full rent to his superior holder

A.—Yes, that is not the question about the rents but it is a question of tax. He pays not from his share, but pays from his earnings out of the land.

Sir Percy Thompson. *Q.*—In your view the rates of income-tax in India are unfairly high in case of the low incomes and indulgently low in case of the high incomes. Have you worked out any scheme of graduation to illustrate your view?

A.—I have said the rate of income-tax on the small incomes is rather high and that on the large incomes is rather low.

Q.—What I am asking is, have you worked out any scheme of graduation?

A.—I have not. I have not made any constructive proposal how to correct this.

Q.—You advocate a differentiation regarding the rate of income-tax on earned and unearned incomes. In theory everybody would agree with you, but the only question is whether it is worth while complicating the income-tax Act in order to do that, considering the fact that the amount of unearned income is very small, if you exclude agricultural incomes?

A.—I do not exclude agricultural incomes at all.

Q.—Assuming that it does not take place and that agricultural incomes are still exempted, the amount of unearned income which should come under the purview of the Act would be relatively small.

A.—Apparently I had in mind that agricultural incomes should not be exempted as I have suggested in my answer further below.

Q.—With regard to agricultural income-tax, there is the question whether the yield would be sufficient to justify the outlay on staff. Certainly the outlay on staff would be very great in proportion to the yield if you include the incomes of the cultivators.

A.—I [illegible] that if income-ta[illegible] [illegible]e done to those [illegible] [illegible]aced in the same [illegible]

Q.—My only question is that if you are going to tax the cultivator, there is such an enormous number of them but so few of them who are earning anything like Rs. 2,000, that it is doubtful whether it is worth while to tax them.

A.—I do say that the gain will not be sufficient if you take only the actual agriculturists, but when I say agricultural incomes, I include farmers and zamindars' estates.

Q.—It would be very difficult to tax the zamindar and not the raiyat; the raiyat is getting a rent.

A.—It would be easy in Bengal at least to tax the zamindar without taxing the raiyat.

Q.—Probably, but take a province like the United Provinces.

A.—My knowledge is limited to the agricultural statistics of Bengal.

Q.—I take it you would agree that if you tax the rent drawn by a zamindar, you must equally well tax the rent which accrues to a cultivator, by virtue of his beneficial occupation.

A.—Yes.

Q.—Suppose I had land worth Rs. 1,000 and I only paid a land revenue of Rs 300, the beneficial occupation would be equivalent to Rs 700.

A.—Yes.

Q—If you are going to bring all these people under the purview of the Income-tax Act, it would be a very big thing. We were told that in the Punjab out of 3½ million cultivators only about 2,300 might possibly turn out to be liable to income-tax, and therefore it is just a question whether the game is worth the candle

A—I think it is, because the total income from agriculture (I do not speak of the tenants) derived by the zamindars alone is about 10 crores of rupees as rent in Bengal. If we put a tax on this, we would get a considerable amount. At a low rate of percentage, we would get about 50 lakhs of rupees.

Q.—But if you tax the zamindar, you must tax the raiyat where he is liable.

A—It is not necessary to tax those raiyats who get less than Rs. 2,000.

Q—Surely you have got to look at the accounts and enquire into the circumstances of a tremendous number of raiyats in order to tax just a very few of them, and that would be a very big job.

A.—Yes.

Q.—The question is whether it is worth while undertaking this job.

A—It is, because it would bring in more than 50 lakhs of rupees to Government, and it won't be so difficult as you think it would be.

Q—Supposing it costs 10 lakhs?

A—I do not think it would cost 10 lakhs to collect 50 lakhs of rupees. The Collector in his ordinary process of collecting land revenue can take the income-tax work also.

Q—You do not realize my point. If you are going to collect income-tax from the zamindars, you must logically collect it from the raiyats and from the tenants when they are liable. That means investigating the circumstances of a very large number of raiyats for practically no result, and it would cost you a very large amount of money.

A—It won't be a costly process.

Q.—I should have thought that to look at the circumstances of 3½ million cultivators for the sake of getting at about 2,300 liable to be taxed would be a very big job.

A.—Yes, but not so very costly. I can support my view by making a statement. Every one who has any connection with land in Bengal has to pay a road cess of 2 pice or one anna in the rupee to the District Board. No one is exempted from this cess and every ten years the valuation is to be made by only one Deputy Collector with the help of a few clerks in a district. If this is possible, what is the difficulty regarding the imposition of income-tax, which will surely involve an exemption in a large number of cases?

Q.—The imposition of a road cess is a perfectly simple process. It is a charge on rent and rents are known facts The two things are entirely different.

A—My idea with regard to income-tax on land was that the number of acres cultivated by a particular person would form a good basis for calculation.

Dr. Paranjpye. *Q*.—You mean to say that a large number of tenants will be automatically exempted in the first instance?

A.—Yes. I thought that with regard to income earned by the zamindars from land it was very easy to collect the tax.

Q.—When you talk about making agricultural incomes subject to income-tax, would you also make the intermediate holders between the landlord and the tenant also subject to the tax if their income exceeded Rs. 2,000?

A.—Yes.

Sir Percy Thompson. *Q.*—It would be very difficult to get at the profits of those intermediate people.

A.—They have to submit a sort of sworn affidavit of the amount of income got from their lands to the Cess Revaluation Officer The valuation of their land in many cases (*e.g.*, temporary leaseholders) is revised by the zamindars after 5 or 10 years. In the case of permanent leaseholders these are fixed

The President. *Q.*—You think that any attempt to make an allowance for dependants would set a premium on dishonesty?

A.—Yes.

Dr. Paranjpye *Q.*—In reply to question No 40, you say that you are not

duty or excise and they do not spend much on luxuries.

A.—A village *Bania* pays a high rent for the hire of his godown

Q—Take a Marwari money-lender who has a small one-room house.

A.—In the Bengal villages it is rather an exception that a Marwari would come from outside and lend money to the village people. He lives in the town and pays all sorts of taxes.

Q—Take a grocer or shopkeeper in a village; he hardly pays income-tax.

A.—But he pays the chowkidari tax, the salt tax, etc.

Q.—That is a part of the expenses of his business.

A.—These expenses are increased because of taxation

Q.—I am taking his net profit. A limit of Rs. 2,000 is obviously unsuitable in his case. Do you think it is possible in such cases to have a lower limit for villages than for the towns?

A.—That would be unjust to the men in the villages.

Q—A village money-lender or grocer for instance who earns Rs 1,800 does not contribute more than Rs. 5 to taxation altogether.

A.—But no villager pays more than that

Q.—Do you think a clerk or Government servant getting Rs. 1,800 a year in a city and a man on the same income living in a village are in the same pecuniary position?

A.—In towns a man pays more. If a man in the town who pays more is to be taxed, the man in the village who does not pay so much should also be taxed.

Q—But a man in the town who gets Rs. 2,000 a year is subject to income-tax.

A—The other man who gets Rs. 2,000 should also be taxed.

Q.—The man in the village who gets Rs 2,000 is in a far better position than the man in the city who gets Rs. 2,000.

A.—But he pays other taxes, chowkidari tax for instance.

The President. *Q.*—From which you wish to exempt him?

A—I did not want to exempt all from the chowkidari tax, but only statutorily the very poor people It is very harsh on the poor.

Dr. Paranjpye. *Q.*—What other taxes does he pay?

A.—He pays on everything he consumes, *e.g.*, salt.

Q—Does he pay about eight annas per member of his family on salt?

A—So far as he is a consumer, his position is the same as that of other villagers.

The President. Q.—You do not think he pays any more tax than the daily labourer?

Dr. Paranjpye. Q.—He pays the same taxes as other villagers in a much worse financial position.

A.—I do not understand that.

Q.—There is not much difference between his style of living and the style of living of a school master who gets Rs. 20 a month, so that the school master gets Rs. 240 a year and pays a certain amount of tax to the State. On the other hand, the Marwari makes Rs. 1,800 a year.

A.—You mean that if he stints his consumption he can evade the payment of tax.

Q.—That is his style of living?

A.—It is very difficult for me to say.

Q.—Tenants and others pay a tax to the State in the form of land revenue; this man practically escapes.

A.—Whether land revenue is a tax or rent is a controversial question. It is a payment for the enjoyment of marginal advantages. If a Marwari arranges a house for business purposes, he pays hire for it, but he distributes it among the people and so it is not a tax.

The President. Q.—You would impose an excise tax on chewing gum and cigarette paper. Is there any large manufacture in India of these articles?

A.—I do not know; the question was suggested to me by your enclosure.

Q.—You do not advocate the introduction of total prohibition and you think that certain country liquors are necessaries of life?

A.—That is so; their prohibition would be economically injurious to the country.

Q.—Why? Is not a lot of rice consumed in the making of *pachwai*?

A.—Yes.

Q.—Do you think it is better for it to be converted into intoxicating liquor?

A.—I think it is a necessity for certain classes of labourers; it is impossible for me to say whether they are benefited more by consuming it as *pachwai* or as rice. My idea is that they would suffer in their efficiency of labour if they do not get the *pachwai*. If they do not get their food, but get *pachwai*, they will surely suffer; but if they get their food and also *pachwai*, their efficiency will be better.

Dr. Paranjpye. Q.—You do not believe in this temperance rubbish?

A.—I do believe a great deal, but not in total prohibition.

The President. Q.—You say you would exempt all holdings below a certain amount from land revenue. Have you any acquaintance with temporarily-settled areas?

A.—No.

Q.—You suggest a high penalty fee on conveyances which cause uneconomic fractionisation of holdings. What sort of rate would you propose?

A.—I would say that the holdings in Bengal should be allowed to go up to the limit of 100 bighas, *i.e.*, about 30 acres. If a person who has a farm of 100 bighas dies, leaving three or four sons and there is a possibility of fractionisation, one of the sons should inherit a portion, say 3 acres or so, the duty should be about 25 per cent.

Q.—Is it not rather complicated? You have to discover every time whether the documents bear relation to the deceased.

A.—No. The conveyance deed will be prepared at the time of registration. No new machinery will be required.

Q.—It will involve an enquiry into the personal circumstances of parties.

A.—No, only whether the farm is becoming smaller than 100 bighas

Dr. Paranjpye. Q.—Even if the brothers separate and divide the estate into pieces, you would charge a fee?

A.—If they make a partition, then I will charge a fee.

Sir Percy Thompson. Q.—I think you are in general agreement with the principles suggested in question No 106.

A.—I have said that generally we should adopt both the principles together. In some cases one principle will act with a greater vigour than the other, but there may be a few cases in which the second principle would lead to a direct and specific economic advantage to the parties

Q.—Would you apply the same principle to the provision of drinking water supply in villages?

A.—With regard to drinking water, I should not accept the service principle, but I would accept the national principle. I think it is more or less the duty of the State to supply people with drinking water if they cannot make arrangements for themselves. If they are too poor to do so, the State should come to the aid of the people.

Q —You say that, if the service is too costly for the locality itself to maintain, the State should come to its aid.

A.—The State should come in just in the same way as the State opens railway lines, because it is not easy for the people to finance the opening of railway lines. At the same time the State would make a specific charge upon the income of the people to meet the interest of the amount advanced by the State and also a sinking fund so that it will be paid up in course of time.

Q —Don't let us assume that the locality is too poor to pay for the service. Assuming that the locality is rich enough, the suggestion is that you should charge for that service on the basis of the amount of service rendered.

A.—Yes

Q.—Whereas in the case of the onerous tax, you would charge on the basis of "capacity to pay?"

A.—Yes.

Q.—I do not think there is any difference between the two

A.—In certain cases the service principle should be adopted and in others the other principle. I think I quoted in my reply an example for illustrating my idea.

The President. Q.—You propose to impose a tax on business profits. Would that be in addition to income-tax?

A.—No.

Q.—You propose to tax mines. Have you any special scheme in mind?

A.—I include it in the list of ordinary business.

Dr. Paranjpye. Q —On what basis have you fixed the minimum limit of Rs. 25,000 for levying succession duties?

A.—Rs. 25,000 should be regarded as sufficient to give a good start to a middle class gentleman of Bengal, or perhaps of India.

Q.—What would you say to a basis like this: an economic holding of land which will maintain a man and his family if they work on that land. Seeing that most of the property in India is landed property, would you agree to this being taken as the proper basis?

A.—I won't say that, because the family is maintained, I understand, from labour also and not from the land alone

Q —A man who has a property of Rs. 25,000 will probably be able to let it out on interest and get an income of something like Rs 100 per month. Consequently he would be able to live on that income without working.

A.—I do not think so.

Q.—Surely he will be able to live on an income of Rs. 100 fairly reasonably; so by fixing this exemption limit of Rs. 25,000, you are encouraging a life of ease without work.

A.—It is very difficult for me to say, because I do not think a man who has inherited Rs 25,000 worth of Government paper and gets an income of Rs. 100 per month will necessarily live an idle life.

Q.—He can live an idle life.

A —Probably he will not.

Q —Probably if he gets a windfall, he might.

A —Ordinarily he will not.

Sir Percy Thompson *Q*—Do you think it necessary to fix a higher exemption limit than the amount which will give him sufficient income to maintain himself and his family by working on it?

A —I looked at the question from a different point of view. If a man's family or parents accumulate a large sum of money and the parent dies and the sum is inherited, what should be got on the occasion of the inheritance of the property? An exemption limit should be imposed so that the family may not suffer much because of the succession duties.

Dr Paranjpye *Q*—Suppose the limit is Rs. 5,000 and the property is worth Rs 10,000. On the excess over the minimum of Rs. 5,000, 2 or 3 per cent might be taken by the State, but if the property is worth 5 lakhs of rupees, a much larger proportion might be taken Do you think it reasonable to fix such a large minimum as Rs. 25,000?

A.—I think such a large minimum is necessary.

Q —Death duties are to a certain extent, in the modern socialistic days, for the purpose of preventing people from living without work.

A —I am thinking only of the man with Rs 25,000, which will not give him an ideal life.

Sir Percy Thompson. *Q*—Suppose you exempt up to Rs. 25,000. Take a man having 6 sons. The property would be divided among the 6 sons. Then it must be worth Rs. 150,000 if it is to be taxed. How many estates are there worth Rs. 150,000 in this province?

A.—I cannot give the exact figure off-hand. There will be some 300 estates.

Q.—So, assuming on the average that they will pass once in thirty years, ten estates would pass in a year Surely you do not propose to put all your machinery to work to deal with these ten estates.

A.—If the duty ranges up to 50 per cent., you will get a substantial income.

Dr Paranjpye. *Q.*—You know the limit in England is £100; and that is for the total estate.

A.—Yes.

Q.—Do you think that they made a mistake in England in fixing that limit?

A.—I have taken a compromise view in this case. It would not be unpopular *in the beginning if it is taken at Rs 25,000*

Q.—How would you set about assessing this duty on a Hindu joint family?

A.—Suppose there are six sons and the estate is divided among them. If in the case of each son the share becomes greater than Rs. 25,000, then you would charge on it.

Q.—Take the case of a family *The father is living and he has five sons.* Suppose one of the sons dies during the life time of the father. How do you charge?

A.—Why should I charge any duty if the son died? In Bengal he has no claim on the property.

Q.—Suppose the father died and the five brothers are living. They could get a partition if they want. Now suppose a brother dies.

A —The duty will be levied on the share of the brother if it is above the limit, *i e.*, Rs. 25,000.

Sir Percy Thompson. Q.—Do you realise that with your limit of exemption, no tax would be charged in the case of a joint Hindu family of five brothers unless the total value of the estate exceeded Rs 125,000?

A.—Yes; unless the man gets Rs 25,000 worth of property, he should not be charged.

Dr. Paranjpye Q—In your answer to question No 120, you say "succession duties should not be levied on a property worth less than Rs 25,000." On the other hand, in answer to question No 137, you say "an exemption limit of Rs. 25,000 for an individual inheritance may be prescribed, the tax will be an excellent one" In the one case you talk of property and in the other case you talk of inheritance.

A.—I speak of the property belonging to a person or property which falls to the lot of a particular person; not of a number of persons together inheriting the property.

Q—In England there are two kinds of duty, one is a duty that is charged on the whole estate when a person dies; and the other is a succession or legacy duty paid by every person on the amount that he gets by legacy. One is due to the fact that such an estate has been allowed to accumulate on account of the existence of the State and the other to the fact that the man is able to take it without any trouble. That probably is the explanation of these two separate duties. Do you want to levy both of them or only one?

A.—Here I have spoken about the second duty. With regard to the first kind of duty, there is something like it at least in Bengal when you take the administration certificates.

Q—A Hindu joint family is not required to take out letters of administration.

A.—We generally take them out here. If a will is made or you want to recover your debts, then you take the certificates with regard to those debts, or with regard to the whole estate. Generally our idea is—it may be a lay idea—that when the father dies and we inherit the property, we have to take administration certificate. Though it is not compulsory, it is necessary for realising our dues and for selling the property. Everybody generally takes it.

Q.—I don't think a large revenue is obtained on this account.

A—Yes; I was only thinking of the second kind of duty which you have mentioned

Q.—You won't charge both of them as in England?

A.—I have no objection to charge the first duty in the way it is charged now. Only I would make it compulsory.

Q—What is the limit you would put?

A.—The rate would be very low and even then the limit would be the limit as it exists now. I was considering the second kind of taxation from the socialistic principle—that is, how much should be taken by the State when the person dies.

Sir Percy Thompson. Q—Supposing you have a Rs. 25,000 limit: take the case given by Dr. Paranjpye of a joint family consisting of five brothers One of them dies and his estate is divided between the other four Now unless each of those four shares amounts to Rs. 25,000, you are not going to tax. Therefore, that one brother's share should be worth Rs. 1,00,000 because it has to be divided among the four and each of the shares should amount to Rs. 25 000 before you tax it.

A.—Yes.

Q.—Therefore, that brother who dies, in order to leave Rs. 25,000 to each of the four brothers, should have Rs. 1,00,000?

A.—Yes, in this instance.

Q—So that, for each of the five brothers to possess Rs. 1,00,000 worth of property, the whole estate should have been worth Rs. 5,00,000, and you are

not going to charge your succession duty unless the estate is over Rs. 5,00,000. *That is your proposition?*

A.—In this imaginary case, it may be so. But generally a joint family having Rs 60,000 worth of property, if it consists of two brothers, will give Rs. 30,000 to each of them which will have to pay tax.

Dr. Paranjpye. *Q*—Would you vary your rate of duty according to the degree of relationship?

A—No.

Q—Any difference shown in the case of second cousin or the grandson of your cousin and so on?

A—No; for practical difficulties.

Q.—You say "A tax on dowries to vary according to the amount of the dowry would be very commendable." How are you going to get at the amount of dowry? Dowries are often given in kind.

A.—They are given in cash as well as in kind.

Q.—Would it not be difficult to find out the actual amount of the dowry?

A—Not very difficult It can be estimated roughly.

Q—Would not that lead to inquiries of an inquisitorial nature?

A—It would be easier to know that than to estimate the election expenses.

Q—You know in Bengal the evil of dowries with regard to the higher classes of people especially is very great. If you have a tax on dowries, don't you think it will be shifted on to the bride's party?

A.—I don't think it will be. By economic friction, it will ultimately come to the bridegroom's party. For, suppose there are a certain number of marriageable boys Their supply is fixed on quite a different principle than cost of production and on monopolistic considerations. There is a demand for these boys Now the people who can pay for these boys as the bridegrooms for their daughters—their number is limited. An equation between the supply and demand takes place after much friction. Now suppose Rs. 3,000 is the highest price for each of these boys and 50 persons are willing to pay that amount If over and above this Rs. 3,000, some tax is to be paid, then the amount would become, say, Rs 3,500. Out of the 50 persons, who create the demand 45 would remain and 5 would withdraw, because they cannot pay more than Rs. 3,000. Then the demand will diminish. The demand diminishes, the supply remaining the same and the bridegroom's party will have to pay it. It will be as in the case of monopoly goods in which cost of production is immaterial in settling the price. At present, the bridegroom's father exacts the highest price. He will do so in future also, whether there is a tax or not. So the tax cannot make the future "highest price" higher.

Q—You don't consider that a tax on dowries will be very unpopular or will be resented by the people?

A.—I do not think so. There was marriage license duty formerly.

Q.—Can you give us a reference to it?

A.—From the documents in the Revenue Board, we find that just before the permanent settlement was introduced—about 1773-93—there was the marriage license duty imposed by the British Government on the strength of the Muhammadan practice. Mr. Ramsbotham of the Hooghly college had

Q.—You are in favour of a registration duty on marriages?

A.—Yes; a very small amount. If the State requires an additional amount of money, it may be imposed.

Q.—You think it will not be a big burden at a time when the people are apt to spend a lot?

A.—Yes.

The President *Q.*—In answer to question No. 120, you say you are in favour of a tax on houses.

A.—I mean the municipal duties.

Q.—You are opposed to an universal inhabited house duty? How do you distinguish between a house tax and an inhabited house duty?

A.—I do not distinguish between them. I have spoken here generally.

Q.—Your tax on houses really corresponds to the local rate?

A.—Yes. With regard to the inhabited house duty, I had in mind a tax like the hearth tax which I do not like.

Dr. Paranjpye. *Q.*—In answer to question No. 138, you say "The degree

A.—But there they often file affidavits and evidence has to be cited to settle the disputes regarding the degree of relationship.

The Hon'ble Sardar Jogendra Singh. *Q.*—About land revenue and taxation on agricultural incomes, have you studied the land revenue system historically?

A.—I have studied it generally with respect to India and particularly regarding Bengal.

Q.—What do you think—land revenue is a share of the State in the profits or in the earnings of the agriculturist?

A.—Mostly it is a share in the profits of the agriculturist.

Q.—To put it in another way, you cannot say that the capital invested in land yields a certain amount of profit, in which the State can take up to 50 per cent. as its share.

A.—I think that the State ought to take up to 50 per cent. of the surplus produce of land. That should be the highest limit and it should never exceed that.

Q.—Would you fix the same limit for income-tax—50 per cent. of the man's income?

A.—Yes, in case of very high incomes.

Q.—Then you will graduate the tax in the case of land revenue?

A.—No; I will not in the case of land revenue.

Q.—A man is earning from land and he pays a certain amount of tax or a share in the profits. Another man invests another lakh in business and out of it he has to pay certain share to the State. How would you class each according to the canons of equity?

A.—My point is this. A man has invested a lakh in land. That is his capital. On income from that he should pay the ordinary income-tax rate.

investment he has to pay a share to the Government. That has nothing to do with land revenue. I am speaking of land revenue as a share in rent.

Q.—But haven't you got mixed up?

A.—I do not think so. What is paid out of rent of land is land revenue. What is paid out of the capital invested in land is not revenue or rent but that is tax.

Q.—These ideas are based not on the new economic science.

A.—New or old I do not know.

Q.—Where do you get these distinctions based on land from?

A.—From my study of Economics.

Sir Percy Thompson. *Q.*—That distinction arises since B. C. 1,000, is it not?

A.—Yes I was going to say that I support it even from the point of view of common sense.

The Hon'ble Sardar Jogendra Singh. *Q.*—Do you regard Economics as an exact science?

A.—It is rather difficult to say. If you call it exact in the sense of mathematics there will be difference of opinion. But when you say that such and such a tendency is the result of such and such a cause it is an exact science.

Q.—Would you make the introduction of new taxes dependent on the full control of the legislatures or would you introduce a tax without their consent?

A.—It is a question of politics. I should say that legislative control is necessary for imposing any taxation.

Q.—Is legislative control necessary over expenditure also?

A.—Yes.

18th March 1925.

CALCUTTA.

PRESENT:

Sir CHARLES TODHUNTER, K.C.S.I., I.C.S., *President.*

Sir BIJAY CHAND MAHTAB, G.C.I.E., K.C.S.I., I.O.M., Maharajadhiraja Bahadur of Burdwan.

Sir PERCY THOMPSON, K.B.E., C.B.

The Hon'ble Sardar JOGENDRA SINGH

Dr. R. P. PARANJPYE.

Professor J. P. NIYOGI, University Lecturer in Economics, Calcutta University, was examined.

Written memorandum of Professor Niyogi.

Q. 21.—There is no logical basis for differentiating between a direct and an indirect tax regarding element of compulsion. The compulsion which is involved in the payment of a tax is not economic compulsion or the compulsion arising from a desire to possess a particular commodity or a specific income, but legal compulsion exercised by the State over the tax-payers. If compulsion is taken in the sense of legal coercion, obviously there is as much coercion involved in the payment of an income-tax which may be taken as the type of a direct tax, as in the payment of a customs duty, an indirect tax. In the one case the compulsion is on the assessee of the income-tax, in the other case either on the importer or on the consumer of the dutiable commodity. It has however been argued that there is no compulsion on the consumer of the imported taxed commodity, since he can avoid the tax by ceasing to consume the commodity. This view, l [illegible] sion involved in the payment of a [illegible] the fulfilment of certain conditions [illegible] tion is either the importation or [illegible] just as in the case of an income-tax, the condition is the possession of a certain taxable income.

In estimating the burden of taxation, no tax whether direct or indirect should be excluded from consideration.

Q 22.—The question does not arise.

Q 23.—If it is sought to be conveyed that tobacco and intoxicating liquors being luxuries, taxes imposed on the consumption of these articles do not reduce the efficiency of the tax-pa[illegible] Parti-cular countries or communities, [illegible] ption of tobacco as necessary for efficiency [illegible] or com-munities, taxation of tobacco w[illegible] " in this sense

Q 24.—If we have in mind the existing taxes on entertainments in India, they may be regarded as unobjectionable from the standpoint of the effects of such taxes on the efficiency of individuals Moreover, such taxes are paid by men whose ability to pay is unquestioned A tax upon entertainments if unaccompanied by other forms of luxury taxes, is however open to the objec-tion that it is unequal, since particular forms of luxurious expenditure are singled out for taxation. This objection is common to any other luxury tax taken singly. Again, the object of the tax on entertainments is to strike the luxurious consumer, but some portion of the tax may be shifted back to the entertainer and where his skill is non-transferable hardships may result

A tax on railway tickets cannot be regarded in the same light as a tax on entertainments in India at any rate The bulk of the railway passengers in India belong to the third class, and the longest average distance travelled by them over any one railway has been estimated at 60 miles. Many of these passengers who have acquired the "railway habit" only within recent years may be tempted to travel on foot or by other methods of transportation if railway travelling is made more costly than at present The abandonment of the "railway habit" would entail a serious "economic burden."

Q. 38 —There does not seem to exist any economic justification for the [illegible]

capitalised, and with regard to this tax it may fittingly be said that an old tax is n[illegible] the process of sale and have p[illegible] e and income have increased. [illegible] he growth of popu-lation, rise [illegible] y conscious or deli-berate effort on the part of the recipients of such income. The increased income from the lands in the permanently-settled areas may be described as a "surplus" in the sense that it is not required or considered essential to sustain any economic effort

The question of the legality of the imposition of the income-tax upon agricultural incomes in the permanently-settled areas may be dismissed by a reference to the income-tax levied on agricultural incomes under the Acts of 1860 and 1869. The Act of 1860 consisted of four schedules and income from real property was taxed under Schedule I. On February 18, 1860, Sir James Wilson in his speech introducing the Financial Statement referring to the obligation of the zamindars to pay income-tax in respect of their incomes from agriculture said "I hold him (the zamindar in the permanently-settled areas) to be exempt from any special charge upon his land but to be liable to any general tax that applies to all others." Again in 1869 when the income from agriculture was subjected to income-tax, Sir Richard Temple said "The landholders especially the zamindars under permanent settlement con-vinced from long experience of the inviolable faith kept with them by the State cannot regard this measure with distrust . . . recollecting that the question of their liability was thoroughly settled long ago . . . . ."

[illegible]

from the Final Report on the Survey and Settlement operations in the district of Rajshahi, 1912—22 are relevant to the present issue:—

(i) "The submission or subservience of the tenants is the most remarkable feature of the relations between landlord and tenant in this district"

(ii) "During settlement operations innumerable instances of illegal enhancement of rent came to light."

(iii) "The raiyat would never dream of becoming a martyr to the principles of the Bengal Tenancy Act."

In justice to the great body of landlords one must hasten to add that the same report from which the above extracts are made, referred to the fact that the "estates in the district are fairly well managed". It is only where the zamindar is an absentee and the tenants are at the mercy of an unscrupulous *Naib* that illegal exactions are rampant.

All persons who are described as rent receivers should come under the operation of the income-tax laws For the purpose of assessing income-tax the exemption limit for this kind of income should be lower than that fixed for "labour" incomes.

The temporarily-settled areas stand on a different footing altogether. In these areas the land revenue is adjusted periodically with due regard to the rise of prices and increase of population. Here the State takes either percentage of the rent collected by the zamindars or where there are no zamindars a fixed proportion of the "net assets". Both the rent and the "net assets" are affected by rise of prices and the State already appropriates a portion of the unearned increment.

Q 40—I would not advocate a reduction in the existing exemption limit for the purpose of the levy of the income-tax in India for the following reasons —

(*a*) It is not strictly accurate to say that "the limits of exemption in European countries generally have reference to the actual cost of subsistence". In England, at any rate, the exemption limit has no reference whatsoever to the actual cost of subsistence. This will be evident if we refer to the Old Age Pensions Act of 1919. Under this Act the rate of pensions for a person who has reached the age of 70 years and whose private income does not exceed £26-5 a year is 10*s.* a week. Every person above the age [illegible] £26 a year, and this figure [illegible] subsistence. This sum is [illegible] or a single person under [illegible] "earned". Even if we [illegible] age pensions at the rate [illegible] maximum sum the posses- [illegible] of 10*s.* a week, the sub- [illegible] fact that the old age pension ceases when a man's private income exceeds £49-17-6 shows that the subsistence level for a single person is not as high as £150

(*b*) To lower the exemption limit in India with a view to bring it on a [illegible]

Thus a man with an earned income of £400 a year, with four children and a dependent mother, does not pay any income-tax at all.

		£
Earned income, less $\frac{1}{10}$th or £40	£360.	
Marriage allowance		225
4 children, 1 at £36 and 3 at £27		117
Dependent mother, £25		25
	TOTAL	367

Assuming that the subsistence level is fixed at Rs 1,000 a year and that the exemption limit is fixed at that sum for the purpose of the Indian income-tax, an Indian with an income just above the exemption limit would pay an income-tax, while an Englishman with an income considerably above the subsistence level would not.

Similarly reference may be made to the systems which exist in other European countries, *e.g*, Holland, Denmark, Austria and France, the identical countries referred to in Annexure F The effective exemption limits in these countries are generally higher than those indicated in Annexure F on account of the operation of the laws relating to allowances for children In *some of these countries a fixed sum is allowed as a deduction from the income* in respect of which the tax is charged. In other countries a proportion of the tax due from the tax-payer is remitted by way of relief France combines both these methods. In that country 5 to 50 per cent of the schedular tax is remitted to persons having children. With regard to the general income-tax, in France the rate of allowance for children is a progressive one. Thus, a sum of £40 for each child up to the number of 5 and £60 for each child beyond 5 is allowed to be deducted. In Holland sums varying from £5-8-4 to £16-13-4 are allowed to be deducted from income in respect of each child without regard to the tax-payer's income. In Denmark a sum of £5-11 is deducted for each child. [*Vide* Second Instalment of the Minutes of Evidence, Royal Commission on Income-tax in Great Britain, 1920, Appendix No. 14 (*d*).]

(*c*) In England a good deal of money is given back to the tax-payers in the form of socially beneficial expenditure, *e g*., old age pensions and unemployment insurance benefits. In India such forms of public expenditure are yet non-existent. In asking the public to bear the burden of extra taxation, a Government should have in mind what services are provided out of taxes and are enjoyed by the several classes of the community. The beneficial forms of public expenditure referred to above reduce the real as opposed to the apparent incidence of taxation.

It is of course not possible to establish any direct connection between the payment of the income-tax and the receipt of benefits under the provisions [illegible]

(*d*) Wages and salaries have a tendency to lag behind price fluctuations. The salaried men have been hard hit in recent years on account of the inflation of currency which has taken place Currency inflation is one form of taxation. Additional burden should not, therefore, be placed on the men with low salaries and wages. The cost of living has not materially fallen since the time when the exemption limit was raised from Rs. 1,000 to Rs. 2,000 a year. *This will be evident* from a reference to the following cost of living index numbers (*vide* Bombay Labour Gazette, November 1924).

July 1914	100
„ 1918	149
„ 1919	186
October 1923	152
„ 1924	160

Speaking of the rise of prices and its effects on persons with low salaries, the Hon'ble Finance Member said in his speech introducing the Financial Statement for 1919-20: "On none has the present range of prices fallen more heavily than the people on low salaries who are caught in the smallest mesh of our income-tax levy There can be no question that Rs. 1,000 minimum is now a serious hardship."

(*e*) In fixing the exemption limit for the purpose of the levy of income-tax, regard must be had to the comparative weight of indirect taxes upon the

various classes of the community In every country the proportion of the income spent by the poor upon the taxed necessaries of life is greater than in the case of the rich.

(f) From the administrative standpoint, regard must be had to the cost of collection of small amounts from a very large number of tax-payers. When the exemption limit was raised from Rs. 1,000 to Rs. 2,000 a year as many as 237,000 assessees were relieved out of a total of 381,000 persons.

(g) The fact that there is no exemption limit in the case of the agricultural income is an argument for introducing such limits, and not for lowering the already existing limits in the case of other incomes.

Q 50—An indirect tax on commodities graduated with reference to the income of the consumer is impracticable. But an indirect tax graduated with reference to some measurable or ascertainable attribute of the commodity is theoretically conceivable, though no doubt there are practical difficulties in the way For the purpose of the levy of an indirect tax, all articles may be graded or differentiated with reference to their value. Other standards of differentiation may also be chosen. "An additional unit of duty can be charged for every additional degree of polarisation of proof spirit, for small changes in the percentage of chemical content or in the number of threads (Gregory, Tariffs, page 151)."

The practical difficulty in the way of the creation of such different price or quality levels is that if this process of differentiation is carried far, the schedules become unduly complicated. This complication renders the task of the revenue officers extremely difficult. Occasions for dispute between traders and revenue officers become frequent and at the same time temptations to fraud and undervaluation are increased.

Professor Niyogi gave oral evidence as follows :—

The Hon'ble Sardar Jogendra Singh. Q.—You recommend a tax on agricultural incomes?

A.—Yes.

Q—You have taken into consideration the incidence of land revenue?

A.—Yes. My point is that land revenue has ceased to be a tax because it has been capitalised.

Q.—Do you think that is the view of the cultivators themselves who are paying a fair share of their produce as tax?

A.—When I say an old tax is no tax I have in mind the permanently-settled areas

Q—Even there would you not define a little further?

A.—I maintain that when a tax is fixed and perpetuated that tax ceases to be a tax, because every purchaser when he purchases the land takes the land revenue to be paid on that land into account.

Q.—That would imply that land is changing hands a good deal.

A.—Even if lands do not change hands, I have pointed out that the zamindars have obtained an enhancement of rent. For instance, in 1793 the gross collections from the tenants amounted to 4 crores of rupees and to-day the gross collections amount to 12 crores.

Q—What is the land revenue?

A—A little over two crores.

Q.—What ratio does land revenue bear to rents?

A.—Something like 16 per cent.

Q—Have you any idea of what the income tax in Bengal is?

A.—The total yield for the whole of India is 22 crores. I can't say about Bengal.

Q—Bengal must be 8 crores.

A.—It might be; but the zamindars don't bear any share of it.

Q.—My point was to find out what the others bear

A.—My point is that land revenue has ceased to be a tax

Q—Your argument is that there is no atx because the zamindars have bought out the tax

A.—It is not buying out When the zamindar purchases the land he takes into account all possible investments, such as Government securities, etc When he finds that if he buys land he will have to pay land revenue, naturally he makes an allowance for the payment of land revenue and pays less proportionately.

Dr. Paranjpye. Q—
he would receive from
pay Rs. 20 to Governm

A.—At the time when the man invests in land there would be no difference but the situation changes in the course of few years, because you get more than the capital value and more than the current rate in Government paper. The situation alters within ten years and he would get from the tenants enhanced rents.

The Maharajadhiraja Bahadur of Burdwan. Q.—Supposing A is the Government, B is the superior landlord and C is the permanent tenure holder under B: if you purchase from the superior landlord himself then you cannot

lord over the tenants.

A.—Yes

Q.—Supposing I as a superior landlord pay to Government Rs. 500 and get from my tenure holder one thousand rupees, in the case of the superior landlord the rent is fixed and therefore in his case your argument about possible increase does not arise. It will arise as between the tenant in possession and the man actually above him.

A.—Yes.

Sir Percy Thompson. Q.—Even this immediate landlord will not be able to enhance, if the actual tenant is paying the full economic rent

A.—When the zamindar
man to whom he sells the
enjoys. The privilege that
tion from income-tax. He
from the man to whom he sells the land, but the buyer ultimately raises the rents.

The Maharajadhiraja Bahadur of Burdwan. Q—Supposing you are the zamindar with an annual income of Rs. 1,000 and you sell your right to me. In selling that right I would purchase from you for Rs. 20,000 or Rs. 25,000 according to the nature of the zamindari. Is it your argument that this Rs 25,000 escapes income tax?

A.—That is not my point. Because you have purchased the land from me you cannot put up a claim that you must be made secure against all changes in the rates of tax or against new imposition of taxes Even in your case I maintain that it would be fair to impose a tax on your income.

Sir Percy Thompson. Q—You said very rightly that in the purchase price the land revenue is amortised. Is your point that immunity from income-tax has also been amortised?

A.—That is not my point. My point is that no one can claim that his position must be made secure for all time to come.

The President. *Q.*—But the legislature has done it.

A.—That is of recent date; in 1860 there was an agricultural income-tax.

Q.—I do not say it is a pledge. But here is the fact that the legislature has deliberately exempted the agricultural incomes. People have a right to consider that that exemption is going to continue.

A.—That is not binding on successive legislatures. No pledge was given that the exemption would continue for all time to come.

Dr Paranjpye. *Q*—You cannot base your argument on the fact of amortisation You do not say that people should remain paying permanent rates.

on the ground that the rents can be increased. In other cases no one can claim that his position must be made secure against all changes or against all new impositions.

Q.—You might as well say that the permanent settlement should be abolished.

A —It is not a question of the abolition of the permanent settlement.

Q.—Why should Government be bound for all time. They might as well say that the permanent settlement be done away with.

A —That is not reversing the permanent settlement.

The Maharajadhiraja Bahadur of Burdwan. *Q.*—You have mentioned that up to 1886 there was income-tax on agricultural income. Can you tell us why that was taken away by the statute in 1886?

A.—I cannot tell you the reason.

Q —Supposing one of the reasons for its abolition—I do not say *the* reason

A —It is quite necessary.

Q —If that is the principle for which it was sacrificed, would you sacrifice road cess and public cess in the alternative? I am talking only of Bengal

A —It would depend upon the relative yield of the taxes.

Q —From a theoretical point of view?

A.—I maintain both. My justification will be that income-tax will be payable by the zamindar in common with the other sections of the community. Road cess and public works cess are special taxes, while the income-tax should be paid by all sections of the community.

A.—That is a different proposition altogether.

The Hon'ble Sardar Jogendra Singh. *Q.*—Have you studied the land revenue system of Bengal?

A.—Yes, I have, in a general way.

Q.—Have you seen the practical effects of the taxes imposed upon these agriculturists?

A.—I have no experience.

Q—Have you read Lord Curzon's resolution on land revenue policy?

A.—Yes.

Q—Your position is that every citizen should pay a uniform tax?

A—I do not maintain that

The President *Q*—Suppose there will be no exemption in taxation?

A.—Exemptions should apply only in the case of persons to whom demand would involve hardship.

Q—Are you proposing a universal income-tax?

A.—Not at all. In fact in my written statement I have stated that the fact there is no exemption limit in the case of the agricultural income is an argument for introducing such limits, and not for lowering the already existing limits in the case of other incomes

The Hon'ble Sardar Jogendra Singh *Q*—You say you would tax profits from agriculture in the same way as profits from other sources, say, for instance, profits from jute mills?

A—I have said in the case of agricultural income the exemption limit should be lower

Q.—Income-tax on agricultural income may be regarded as a double tax; first you accept the position that land revenue is a tax

A—I maintain it is not a tax

Q—On what ground do you say it is not a tax?

A.—I say that in the permanently-settled areas, the land revenue being a fixed charge on the rent, it has long ceased to be a tax Moreover land revenue is taken into account by every intending purchaser and allowance is made in the purchase price.

Q—What is the difference between land revenue and a tax?

A.—It is a very difficult and important problem, and I think it needs very serious consideration to define it on a proper basis

Q—How would you distinguish between land revenue as it exists in India and a tax?

[illegible]

doubt that the land revenue is a tax. I want to make a distinction between the two areas, temporarily and permanently settled

Sir Percy Thompson *Q*—Suppose a man buys land in the permanently-settled area, land which gets a rent of say Rs. 100, take it that he pays Rs. 40 to the State by way of land revenue, it brings in a net income of Rs. 60. Now you come to the temporarily-settled areas, in which lands I can get an occupancy rent of Rs 100 and under the existing settlement the land revenue is 40 rupees, should I not take into account this 40 rupees in the purchase price of that land?

A.—I do. But I do not take account of the future possibilities.

Q.—But it is a tax. According to you the other was not a tax. Therefore when I bought that land it would bring a net income of 60 rupees and I can proclaim from the house tops that I am paying 40 rupees land revenue in my income of Rs 60, whereas in the case of permanently-settled areas I have not to pay anything? Is not Rs. 40 on an income of Rs 60 a monstrous tax?

A—Therefore we take into account the surplus that may arise.

Q.—What you said just now in the case of the permanently-settled area, is that the 40 rupees I pay is not a tax.

A.—The land revenue contains some element of tax; I would not say the whole of it is a tax. Take, for instance, two districts in the temporarily-settled areas equal in fertility, and then supposing one of the districts is cultivated

A.—*That is not my point. My point is that no one can claim that his* position must be made secure for all time to come.

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Dr Paranjpye. Q.—You cannot base your argument on the fact of amortisation You do not say that people should remain paying permanent rates.

A.—My argument of amortisation would apply in the case of those zamindars who have got under them tenants whose rents can be increased Even if the land revenue has been amortised, considering the fact that zamindars have increased the rents in some cases, taxes on the zamindars could be justified on the ground that the rents can be increased. In other cases no one can claim that his position must be made secure against all changes or against all new impositions

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A.—I cannot tell you the reason.

Q—Supposing one of the reasons for its abolition—I do not say *the* reason —that must have weighed at the time was the inroads that were made on the permanent settlement in the shape of road cess and public works cess in a direct way and income-tax on agricultural income was abolished consequently, would you still have the income-tax on agricultural income over and above the road cess and the public works cess?

A—It is quite necessary.

Q.—If that is the principle for which it was sacrificed, would you sacrifice road cess and public cess in the alternative? I am talking only of Bengal

A—It would depend upon the relative yield of the taxes.

Q.—From a theoretical point of view?

A.—I maintain both. My justification will be that income-tax will be payable by the zamindar in common with the other sections of the community. Road cess and public works cess are special taxes, while the income-tax should be paid by all sections of the community.

Dr. Paranjpye. Q—When land revenue was made permanent it was made on the understanding that Government activities would require a certain expenditure and no more. Under the circumstances which existed in 1793 it was possible for Government to give that undertaking. But Government undertakings having increased enormously and the expenditure also having increased enormously, the fundamental assumption on which that undertaking was given no longer holds good.

A.—That is a different proposition altogether.

The Hon'ble Sardar Jogendra Singh. Q.—Have you studied the land revenue system of Bengal?

A.—Yes, I have, in a general way.

Q.—Have you seen the practical effects of the taxes imposed upon these agriculturists?

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A—Therefore we take into account the surplus that may arise.

Q—What you said just now in the case of the permanently-settled area, is that the 40 rupees I pay is not a tax.

A.—The land revenue contains some element of tax; I would not say the whole of it is a tax. Take, for instance, two districts in the temporarily-settled areas equal in fertility, and then supposing one of the districts is cultivated

by a population which is more vigorous, the other is cultivated by a population which is feeble, in the former case the land revenue will be greater, showing that the principle of tax comes into operation. Therefore we will have two lands equal in fertility the one paying a greater amount of so-called rent than the other My point therefore is that it contains the element of tax. The principle of taxation is taxation according to the ability to pay.

Q.—Does it not amount to surplus, does it amount to the economic rent?

A.—It does not. Hence I say it contains an element of tax.

Q.—The tax which does not exceed the economic rent is not a tax?

A.—That is a question of fact which is very difficult to answer here.

The President *Q.*—If I understand you correctly you say you do not consider land revenue in permanently-settled areas to be a tax because it does not vary, but in the temporarily-settled area you do consider it a tax because it is liable to variation.

A.—That is the substance of my argument.

Dr Paranjpye *Q.*--What are the reasons for reducing the percentage of increase in temporarily-settled areas. Is it a fact that persons there are used *to a certain standard of living, and if the full 50 per cent. is taken, it would* alter their standard of living?

A.—*In the case of temporarily-settled areas the amortisation is incomplete.*

Q.—In the case of permanently-settled areas it is to a great extent a speculation, because if the prevailing rate of interest diminishes, he stands to gain?

A.—That is hardly a practical proposal; that is because the tendency is to raise the rate of interest

Q.—You cannot say that there is no element of speculation in that amortisation which you consider complete?

A.—If the rate of interest rises, I can also get enhancement of rent

Sir Percy Thompson. *Q.*—In your answer to question No 40, you say that in England the exemption limit has no reference whatsoever to the actual cost of subsistence, and you refer to the Old Age Pensions Act of 1919. You say that under this Act every person above the age of 70 years is guaranteed an income of £26 a year, and this figure may be considered as the minimum required for subsistence That really is not the case I do not think that was ever intended; the old age pension was more intended as a contribution.

A.—If the Old Age Pensions Act limits pensioners to those who have less than £50 does it not follow that he can live on £50; supposing he has no other income he has got to live on this income.

Q.—What happens is this; that pensioners live with their relatives or someone else and contribute something towards their subsistence, it is only a dole.

A.—If a man has got private income amounting to £26 the utmost he can get from the State is a sum of £26 and few shillings extra. Then in that case he has got to live on the doles from the State and that has to be regarded as a subsistence allowance. I only take objection to the statement made in your questionnaire. I argue that the subsistence level is lower than that indicated in the questionnaire.

Q.—*I think we may take it that the present limit in India would be something above that.* I take it you advocate that the existing level should be retained?

A.—Yes, it should be coupled with allowances for children.

Q.—That was one reason for making the exemption limit as high as Rs. 2,000?

A.—It would be better still if we could get allowances for children. If you introduce subsistence level and then introduce family allowance, then in that case it won't bring in so much revenue to the State As against this loss, I would suggest tax on agricultural incomes.

Q.—I think the popular feeling would be against an unduly high exemption, if you take with that marriage allowances and children allowances.

A.—Speaking of the Presidency towns, I do not think it will be an unduly high level. Since we cannot discriminate between the Presidency towns and the other towns, I think, it is safe to put it at this figure

Q.—Do you think that a children's allowance can be administered without friction?

A.—I don't think there is any difficulty to find out the number of children a man has If you can find out the actual income of a man without friction, you can as well find out the number of children a man has

Q.—Will not there be a complaint that you are going intimately into the family affairs?

A.—Well, if you go into the income of one's family, I do not think there is any harm in finding out the number of children a man has. I think one is as private as the other.

The President *Q.*—You don't think the *purdah* system in India will have any effect?

A.—I do not think so

Q.—One suggestion is that allowance should be made for children proved to be going to school?

A.—Yes Some sort of allowance may be made You should allow for the number of children that are attending school I think even in England they have got some such system.

Q.—It has been suggested that instead of making any inquisition into family affairs, we should grant exemptions only to children who are attending school

A.—I do not think it would be fair because there would be many people who may not send their children to school at all But I won't insist on this, you may as well accept this principle

Sir Percy Thompson *Q.*—You say in England a good deal of money is given back to the tax-payers in the form of socially beneficial expenditure, *e g* old age pensions and unemployment insurance benefits Surely the people who pay income-tax are quite different from those who get these benefits

A.—I maintain it is not so. I have seen certain answers given by the gentlemen who gave evidence before the Royal Commission on income-tax. In some cases men paying income-tax are those who receive the benefit.

Q.—Do you know the total amount collected from the wage earners in England? I can give you the figure it is about £750,000 out of a total income-tax collected of about £350 millions, and of these the people that benefit by the old age pensions, are very few in number The amount of old age pensions is only 10 millions, and the amount of doles is about 40 millions, it only comes to something like 50 millions

A.—Even that little amount we do not get back here. The [illegible]

sorting to death duties. Otherwise, injustice of a very grave character would be perpetrated If you want to avoid injustice to the people you should first try to remove the anomalies of the Income Tax Act.

The President *Q.*—First of all, are there no anomalies in the matter of the present death duties?

A.—There are.

Q.—There is one very great anomaly in so far as the probate duty is only levied from certain classes of the population.

A.—If we resort to death duties, the anomalies will be greater.

Q.—Can you suggest any practical way of collecting income-tax on the income of the actual farmer?

A.—I do not advocate that the income of the actual farmer should be taxed.

Q.—You would confine it to the taxation of land?

A.—Yes.

Sir Percy Thompson. Q.—Suppose you have a clerk who pays income-tax on his earnings; he buys some stocks and shares, he pays income-tax and he pays death duties on the stocks and shares The farmer pays no income-tax on his earnings, but he buys stocks and shares and pays death duties. The one pays twice the other The anomaly remains just the same.

A.—That is the anomaly I want to remedy.

Q.—You said you were not going to tax the profits of the farmer.

A.—The farmers are a poor class, therefore I would exempt them.

Q.—You will not tax them unless their income is Rs 2,000 a year?

A.—Even if the income is Rs 2,000 a year, I would exempt them.

Q.—You get the same anomaly The farmer who makes Rs. 4,000 a year is taxed once on account of death duties on his property, but if you have a clerk on Rs. 4,000, he is taxed twice, in income-tax and death duties.

A.—A farmer does not earn as much as Rs. 4,000.

Q.—Never?

A.—Not in India, that is my idea.

Q.—Your statement is based on the fact that there are no cases of a farmer making Rs 4,000 a year in India?

A.—Yes.

Mr. A. M. Ballingall was next examined on behalf of the Wine, Spirit and Beer Association of India, Calcutta.

Written memorandum of the Wine, Spirit and Beer Association of India.

Q. 61.—The policy of prohibition may be introduced in localities. Such in point of fact has already happened in the Punjab where a Local Option Act was passed in 1923 under which orders were passed by the Finance Commissioner in April 1924 stopping the sale of liquor at theatre and cinema bars. These orders have, it may be noted, since had to be considerably modified by the Finance Commissioner Proposals of a prohibitionist character are under consideration in the Central Provinces, Bombay and Assam Further, severe excise imposts have recently been proposed, in the Central Provinces, while in Bombay the Excise Commission published their report in May 1924 making very [illegible] sale, etc., of liquor, and the Bo[illegible] resolution that prohibition should [illegible] years' time. In addition the Exc[illegible] has adopted the principle of redu[illegible] one-tenth. In Assam a Temperanc[illegible] session of the Assam Legislative [illegible] of a Select Committee.

T[illegible] a is, the Committee woul[illegible] is invited to the pam[illegible] opy of which is enclosed with this statement of views—Exhibit A.

Q. 62.—A policy of total prohibition would certainly entail the loss of revenue mentioned and would also inevitably make necessary a huge expenditure for its enforcement. Further, such a policy could only be enforced partially; for example in the mofussil prohibition would be impossible, as the means to make intoxicating liquors are open to every raiyat who wishes to use them. Attempts to enforce such a policy would lead to continual

friction between the people and the Police and Excise Departments of Government. Attention is invited in connection with this question to the last issue of the Administration Reports of the Provincial Excise Departments. Exhibit B contains extracts from the current Excise Administration Reports of the Punjab, the Madras Presidency and of the Central Provinces and from a report by the Deputy Commissioner of Amritsar Exhibit C contains a number of extracts* dealing with illicit distillation and smuggling from the Punjab Excise Administration Reports from the year 1902-03 up to 1922-23. Exhibit D contains an extract from the speech made by Sir Malcolm Hailey when introducing in the Assembly the Budget of 1922-23 when the duties on wines were last raised Exhibits E and F are extracts from speeches made by the Hon'ble Mr C A. Innes, Commerce and Industries Member, and by Sir Malcolm Hailey in the course of the debate in the Assembly on the Budget of 1922-23

Q. 63—*Reference 1st quotation.*—A tax on alcohol can only be a positive good so long as it is a reasonable one and considered along with the habits of law-abiding citizens and their power to buy alcohol of good quality sufficient for their reasonable needs Once a tax goes beyond that point a premium is put on illicit distillation, the consumption of crude and harmful spirit, smuggling, and all their eveil consequences and the liquor trade, no longer controlled, passes into undesirable hands.

Reference 2nd quotation—The Association agree with this statement so long as it is admitted that the efficiency of administration is always open to the dangers described in the previous paragraph if taxation is on too high a basis

Reference 3rd quotation.—The first portion of this quotation is debatable as it can be argued that a small indirect tax on a commodity in general use in every-day life is desirable in that it reaches certain parts of the community which would not come within the reach of direct taxation and yet whose duty it is to contribute its quota towards the upkeep of the State Further, it is contended that all alcoholic drinks do not come under the category of "articles of popular luxury", nor are they "detrimental to personal health, morals or public order" Certain alcoholic drinks among the greater part of the peoples of the world form part of the daily diet and are a necessity It is the abuse of alcohol, just as is the case with anything else, that is detrimental to health, morals, and public order

Reference 4th quotation—The Association need not comment on this quotation, because the quotation refers solely to harmful or undesirable luxuries, and alcohol is, when not abused, neither harmful nor undesirable.

Reference 5th quotation.—The Association agree with the view here stated and would add that alcohol is not to be considered as a non-essential

Reference 6th quotation—Alcohol is not the root of "every grave social evil". The abuse of alcohol is invariably only the secondary cause of any grave evil, *e.g*, the appalling conditions of the sweat shops and factories of America several years ago were acknowledged to be a great incentive to the workers to take excessive alcohol during their leisure hours, so that they could forget life. To be drunk or drugged was their only pleasure Alcohol is taxed as the tax is one of the easiest to gather It is collected by the trade and handed over to Government, with little expense to Government in administration.

Q. 64.—In view of the high duties taken by the Imperial Government [illegible] decidedly in advance [illegible] to be. The Associa- [illegible] anged for the better [illegible] uled since Provincial [illegible] foreign liquor trade have undoubtedly diverted those who used to partake of the cheaper brands

* These are identical with what has been printed at pages 166—172 of Volume IV—Evidence.

Q.—Can you suggest any practical way of collecting income-tax on the income of the actual farmer?

A.—I do not advocate that the income of the actual farmer should be taxed.

Q.—You would confine it to the taxation of land?

A.—Yes.

Sir Percy Thompson. *Q.*—Suppose you have a clerk who pays income-tax on his earnings, he buys some stocks and shares, he pays income-tax and he pays death duties on the stocks and shares. The farmer pays no income-tax on his earnings, but he buys stocks and shares and pays death duties. The one pays twice the other. The anomaly remains just the same.

A.—That is the anomaly I want to remedy.

Q.—You said you were not going to tax the profits of the farmer.

A.—The farmers are a poor class, therefore I would exempt them.

Q.—You will not tax them unless their income is Rs 2,000 a year?

A.—Even if the income is Rs. 2,000 a year, I would exempt them.

Q.—You get the same anomaly. The farmer who makes Rs. 4,000 a year is taxed once on account of death duties on his property, but if you have a clerk on Rs. 4,000, he is taxed twice, in income-tax and death duties.

A.—A farmer does not earn as much as Rs. 4,000.

Q.—Never?

A.—Not in India, that is my idea.

Q.—Your statement is based on the fact that there are no cases of a farmer making Rs. 4,000 a year in India?

A.—Yes.

Mr. A. M. Ballingall was next examined on behalf of the Wine, Spirit and Beer Association of India, Calcutta.

Written memorandum of the Wine, Spirit and Beer Association of India.

Q. 61.—The policy of prohibition may be introduced in localities. Such in point of fact has already happened in the Punjab where a Local Option Act was passed in 1923 under which orders were passed by the Finance Commissioner in April 1924 stopping the sale of liquor at theatre and cinema bars. These orders have, it may be noted, since had to be considerably modified by the Finance Commissioner Proposals of a prohibitionist character are under consideration in the Central Provinces, Bombay and Assam. Further, severe excise imposts have recently been proposed, in the Central Provinces, while in Bombay the Excise Commission published their report in May 1924 making very drastic recommendations regarding the sale, etc., of liquor, and the Bombay Legislative Council have passed a resolution that prohibition should become an accomplished fact in twenty years' time In addition the Excise Ministry of the Bombay Government has adopted the principle of reducing the total liquor issues each year by one-tenth. In Assam a Temperance Bill was introduced during the last session of the Assam Legislative Council and is now under consideration of a Select Committee.

To think [illegible] where in India is, the Committee would subm[illegible] is invited to the pamphlet e[illegible] opy of which is enclosed with [illegible]

Q. 62.—[illegible] entail the loss of revenue mentioned and would [illegible] sary a huge expenditure for its enforcement. Further, such a policy could only be enforced partially; for example in the mofussil prohibition would be impossible, as the means to make intoxicating liquors are open to every raiyat who wishes to use them. Attempts to enforce such a policy would lead to continual

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Reference 2nd quotation —The Association agree with this statement so long as it is admitted that the efficiency of administration is always open to the dangers described in the previous paragraph if taxation is on too high a basis

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**Reference 6th quotation* —Alcohol is not the root of "every grave social evil". The abuse of alcohol is invariably only the secondary cause of any *grave evil, e g., the appalling conditions of the sweat shops and factories of* America several years ago were acknowledged to be a great incentive to the workers to take excessive alcohol during their leisure hours, so that they could forget life To be drunk or drugged was their only pleasure Alcohol is taxed as the tax is one of the easiest to gather. It is collected by the trade and handed over to Government, with little expense to Government in administration

Q 64.—In view of the high duties taken by the Imperial Government the taxation imposed by the Provincial Governments is decidedly in advance

to be. The Associa-
ianged for the better
uled since Provincial
foreign liquor trade
have undoubtedly diverted those who used to partake of the cheaper brands

* These are identical with what has been printed at pages 166—172 of Volume IV—Evidence

of Scotch and Irish whisky and French brandy to very much less desirable commodities in the shape of country spirit and German spirit. Although German spirit is a foreign spirit it can compete with country liquor as it is imported in undersized bottles and is in the first place a very cheap and immature spirit

Q 65.—This Association being an Association of importers of foreign liquor are not interested in matters relating to country spirit.

Q 66—Reference is invited in this connection to the report on illicit distillation in the Punjab referred to in the answer to question No 62, Exhibit C, which goes to prove that increases in provincial excise rates are followed by increases in illicit distillation

Q 67—The Association have no objection to locally-made imitations of imported liquors being taxed at the tariff rate and given the same freedom from restrictions on transport as is given to foreign liquors, so long as legislation is at the same time introduced to protect the consumer adequately against the possibility of his being supplied with locally-made imitations when he desires genuine foreign liquor. The Association does however strongly object to synthetic foreign liquor, that is German and Java whisky, rum and brandy being given as at present they are given the same trade facilities as genuine foreign liquor. As remarked in the answer to question No. 64 this synthetic German and Java spirit is a very cheap and immature spirit and the Association have been endeavouring for many years to get the Government of India to introduce an Immature Spirits Restriction Act, on the lines of the Immature Spirits Restriction Act, 1925, in force at Home, with the object of stopping the import into India of such unwholesome and immature "synthetic" spirit The question of the introduction of such an Act is still under the consideration of the Government of India.

Another way of striking at the import of this synthetic spirit into India would be the imposition of heavy taxation on such imports. This taxation would have to be imposed and regulated by the Government of India and would result to the advantage of the Provincial Governments as the growth of the trade in German and Java spirits has severely hit the trade in country spirit and so caused a heavy decrease in the revenue derived from that source by Provincial Governments

Q 68—The Association do not approve of Provincial Governments being allowed to impose supplementary duties on foreign liquors Taxation of foreign liquors should, it is submitted, be solely the concern of the Government of India as treatment of the matter must be uniform throughout the country if great confusion is not to arise as the result of varying conditions in neighbouring provinces

Q 69.—The Association are not in a position to offer any suggestion as to the ways and means of such an adjustment between provinces. Relations between provinces must however be adjusted to a common standard: otherwise smuggling would inevitably ensue.

Qs 70 and 71—These questions refer to country spirit and as explained in connection with question No. 65 do not interest the Association.

Q 72—The present arrangements for the wholesale supply of foreign liquor are fairly satisfactory. A word may be said however regarding the arrangements in force in the Central Provinces which are decidedly unsatisfactory from the trader's point of view. An importer in the Central Provinces pays Rs. 3 per case of wines and spirits and Rs. 3 per case of beer. All losses have to be paid for by the importer No rebate is allowed in the event of the liquor being re-exported A private person in the Central Provinces who buys from another province on the other hand does not pay any of this tax

Q. 73—Where license fees have been assessed by Commissioners of Excise in different provinces the fees have been increased beyond all reason

Q. 74—Regarding the figures shown in the Annexure J to the questionnaire it cannot be seen what is the reduction in foreign liquor licenses It

is not clear that the reduction in country spirit licenses has increased the value of these licenses but it is probable that the reduction has had the effect of encouraging the manufacture of home-distilled country spirit

Exhibit A.

SOME TRUTHS ABOUT PROHIBITION

"Distance," the proverb runs, "lends enchantment to the view," and it is no wonder that many politicians in India, particularly those with idealistic tendencies, of which there are quite a few, readily accept what is told them by the "Pussyfoot" propaganda factory and have come to believe that the American enactment prohibiting the manufacture, sale and transport of alcoholic liquors has banished alcohol from the United States and has otherwise proved an unmixed blessing to the American people These Indian politicians probably with the best intentions wish therefore to force prohibition on India, forgetting that conditions in this country are very different from those of America, and that what applies to America cannot *pari passu* apply to India

DIVERGENT CONDITIONS

For instance, India, like America, has an enormous coast-line which must be closely watched and guarded if smuggling is not to take place on a grand scale, supposing that prohibition comes to pass Those who are in touch with current events will have noticed how in spite of her exceedingly powerful navy the United States has not succeeded in preventing the smuggling of alcoholic liquors on a large scale India has no navy of her own, nor ever will have a navy large enough to keep a constant and uninterrupted vigil over her long length of coast from Calcutta to Karachi Do Indian politicians then expect the British navy which is maintained for the defence, in times of danger and of war, of the whole British Empire (including India of course) to undertake the duty of beating off the smugglers from the Bay of Bengal and the Arabian Sea? Or again, is India prepared to shoulder the cost of a navy of her own adequate to her needs from an exchequer which has been depleted by the loss of that considerable revenue at present derived from alcoholic liquors? Do the politicians in India who favour prohibition think for a moment that the country, that is, the vast masses of the people comprising the agricultural and industrial labourers who, after all, form the majority of the population of India and to whom drinking is not only not a sin but sometimes enters into their religious observances, do Indian politicians think for a moment that these people would put up with extra taxation for the sake of an ideal in which they do not believe?

AND MORE

And this is but one among the many reasons why prohibition is not a practical proposition in India In India, there are far more facilities for illicit distillation than exist in America, and in the event of a prohibitionary law being passed, it would require an army of excise and customs officials as large as Attila's hordes to attempt to carry out the duties that would fall on these departments The increase in the excise staff would be so stupendous that it is doubtful whether the literate classes could furnish the necessary number of recruits. Can India afford to convert the Excise Department, now a source of considerable revenue, into what must be one of the heaviest charges the exchequer would have to face? Then again, owing to the spread of the non-co-operation and Akali movements, lawlessness, particularly among the illiterate rustics is at a premium Under these circumstances, what chance does a prohibition law stand of being obeyed, especially when it runs counter to the people's wishes and customs? Indian politicians before rushing blindly to follow America's lead would do well to consider

calmly the practical difficulties in their path and ask themselves whether the enforcement of prohibition on India is not a Utopian dream rather than a feasible possibility.

The inherent difficulties in the way of introducing prohibition in any administration in India were strikingly referred to by Sir Ali Imam, late Prime Minister of Hyderabad, in a speech delivered by him at the annual meeting of the Anglo-Indian Temperance Association held in May this year at the Caxton Hall, Westminster. Sir Ali Imam referring in the course of his speech to his experience as Prime Minister of Hyderabad said the executive control in that State was absolute; all the departments of State were under his care, and he had absolute power to deal with them as he chose. Having all those powers, he began to think was it possible for him by a stroke of the pen to shut up all the liquor shops and by magic make a new moral world? On reflection he found that was an impossibility; and he claimed that to-day if they had in British India absolute Home Rule, even then the legislation with the best motives could not eradicate the drink evil without they had spiritual action He had the power and he could have passed an order to eradicate the traffic, he could have increased the revenue by adopting an income-tax and a land tax. It was not the consideration of finance that prevented him taking that action. What prevented him was this: if he had shut up all the liquor shops and stopped the distillation of drink and said that the liquor evil had gone out of the country it would not have been so The fact was that opportunities for illicit distillation were so numerous that if the liquor shops were closed, in every home, in the privacy of the house, and even in the zenanas, private distilleries would be put up and drinking would go on What he was trying to show was that while he believed that legislation could go a long way towards helping temperance reform, and that the question of drink should be in the hands of the people of India to decide for themselves, they must not delude themselves that once that state of affairs came about they would really have got over the trouble of eradication of drink from the country

At the same meeting Mr. Hope Simpson, M.P., who has spent several years in India, touching on the same subject remarked that while in India they might arrange for prohibition in the towns and prevent the production of spirits from the still, they could not prevent the native in the country climbing a tree and making a hole in it and getting his toddy in that way. *That was going* to be their ultimate difficulty

We commend these home truths, from those who are in a position to know what they are talking about, to those zealots in this country who fondly imagine that prohibition means the abolition of drink. It does not. All it means is that the traffic is driven underground where the remedy would be worse than the disease.

The prohibition controversy.

As is generally recognised, prohibition in America has by no means been an unqualified success. Indeed, competent and impartial observers have declared that the enforcement of prohibition in the United States has not only been a failure, but has proved and is proving a veritable farce and fraud Of course, the "Pussyfoots," that is, those who have been responsible for the enactment of the law, stoutly deny it, and asseverate that things *are not so bad in the States as they are painted.*

The truth.

Below we reproduce the salient points of an important article about the [illegible] *Weekly Despatch*, dated 4th [illegible] has held Cabinet Rank, [illegible] Government in England. [illegible] being a Member of the [illegible] his judicial position his observations will carry conviction and command respect.

UNIQUE TESTIMONY.

In this connection, the following testimony to the truth and impartiality of his Lordship's observations comes in very appropriately A New York message states that the House of Representatives Committee on the alcoholic liquor traffic has appointed a Sub-Committee to investigate "the success or failure" of prohibition The Sub-Committee has been instructed to inquire into every phase of the question "*and especially to ascertain whether the consumption of liquor has increased and to what extent, since prohibition came into force*". Comment on the above, as the Americans would say, is unnecessary

LORD BIRKENHEAD'S ARTICLE

Lord Birkenhead writing in the *Weekly Despatch* about the truth of American prohibition, says —

"The importance and the vividness of the controversy which prohibition excites in the United States to-day is imperfectly exhibited in their press. I was on my recent visit for nearly three months in the United States. I can hardly recall one single meal in which the topic of prohibition was successfully avoided"

QUESTION OF EXPEDIENCY.

Alcohol has been used in one form or another almost from the twilight of the human race The plain truth appears to be that alcohol used in moderation is a very agreeable addition to the amenities of life. I still remember the late Lord Halsbury at a dinner which I gave when Lord Chancellor to the judges of Belgium drinking two glasses of champagne and a glass of port, in his 97th year It is equally true that the abuse of alcohol has through the ages encouraged vice, promoted crime, and induced the ruin, moral and physical, of weak persons. But it is quite certain that the controversy will continue, because it is founded upon fundamental disparities of temperament in human nature.

TWO QUESTIONS.

It is evident that two questions require an honest and informed answer before one can reach even a provisional conclusion upon this most difficult problem·

(1) Has it on the whole succeeded in attaining its professed object—namely, that of stamping out the sale, distribution, transportation, and consumption of alcoholic liquor?

(2) If it has not so succeeded, what are the consequences of that failure, and what inferences are to be drawn from that failure in relation to the moral aim attempted?

Let me attempt to examine in general terms the answer which must, I think, be made almost without risk or controversy to the first of these questions It must be made in general terms because a grateful guest entertained by kind hosts under difficult circumstances may be excused for the employment of some slight reticence.

CLASS LEGISLATION.

This may be plainly said by me—because it is everywhere plainly said in the United States—that this is a law which plainly operates in favour of the rich, and plainly operates against the poor.

It is, I think, on the whole true that the working classes of the United States do better work under prohibition than they did before. Larger numbers of them return to work on Monday morning. Such an arrangement is doubtless admirable from the point of view of an employer of labour,

who had his own cellar laid down upon a munificent scale in the days before prohibition, and who has nothing to lose and everything to gain by the enforced sobriety of his employees But while I am not disposed to dispute the solid gain which has accrued to industrial efficiency from prohibition, even here a sombre and different picture must be drawn.

WOOD ALCOHOL POISON.

It is not given to all men, even to working men, to withdraw themselves absolutely from the attraction of alcohol, just as it is not given to all rich men And even during the short time in which I was in the United States I read of thirty-four different cases in which poor men, who had no cellars, had perished by drinking poisoned alcohol

So great, indeed, was the alarm that was created by these repeated and most tragic casualties, that in many towns the existing public agencies for determining the purity of substances submitted to them had been enormously expanded in order to deal with the submission for test and certification of alcohol illegally obtained, or illegally manufactured, which the consumer would not accept until it was vouched by the public analyst And this analysis, be it observed, was conducted by public authority and in circumstances which made it indisputable that the increased activity was both understood and approved

FAILURE TO EXPEL ALCOHOL

I apply myself now to the broad question Has or has not prohibition expelled alcohol from the United States? The answer is notorious. It unquestionably has not It is quite true that there are many small towns, and many more villages, where it is impossible to obtain alcohol. But in my journeys through the towns, where I always in a spirit of social curiosity asked the question, I was invariably informed that prohibition was not very strictly enforced there, but that if you went to another town (whose name was obligingly given) you would there find that its full enforcement was *effective*

A practical commentary upon the success of the United States' authorities in excluding alcohol is to be found in the fact that the best Scotch whiskey was only 6*d* a bottle dearer in New York than in Montreal And this was not supplied through dangerous channels, but by a most respected bootlegger who, to my knowledge, belonged to at least one good club in New York

The real truth is that when you have a population of nearly one hundred millions, of whom at least some millions desire to enjoy a form of refreshment which is exhilarating, and which many people have enjoyed since the dawn of the world; when that country has thousands of miles of boundary, from the Dominion of Canada in the north to Mexico in the south, when it is additionally handicapped by having I know not how many thousand miles *of maritime access, when the trade is profitable beyond the dreams of avarice:* no Government, however resolute, however wealthy, however equipped, could ever enforce such an exclusion.

Spasmodic efforts are from time to time made Meetings of Governors are convened Perhaps all the Governors are not unanimous The police force of a great city is completely and publicly purged. But nothing very effective is done. Nor, indeed, could anything very effective be conceived.

New York State has already formally withdrawn its own very great resources from any attempt to enforce the law of prohibition. I am told that other States are contemplating or have already adopted similar action. To employ the Federal strength in these State quarrels would impose a burden upon the Federal authorities which even to the resources of America would be formidable.

From California's Vineyards.

Nor must it be assumed that the fundamental difficulties in the enforcement of prohibition proceed entirely from the difficulties of intercepting smuggled alcohol

The very resources of nature are enlisted against him who would dry up the gifts of nature A chemist can produce alcohol by boring a small hole in a ripe apple and exposing it to the sun's rays for a sufficient period. Home-brewed beers of excellent quality—for I have tested them—are common on the farms of the Middle West, though I think that on the whole the labourers drink less of them than the farmers do Apple-jack, a potent liquor stronger than old brandy, is a common subject of rural production

But the most singular illustration of all is furnished by the case of California When it became known that prohibition was certain to succeed, a most disastrous slump immediately occurred in the vine-yards of California. These were quoted and sold at about 40 per cent of their pre-war values. And indeed everybody assumed that in the austere régime which was to reform American life these vineyards had exhausted alike their moral and material utility

What has happened since? The same lands are being sold to-day—and not for the purposes of growing grain—at a higher price than they were sold for in the year before prohibition became a law of the land. There is no reason to suppose that the American appetite for grapes as such has greatly increased in the interval. The plain and universally admitted truth is that the Californian grapes are being distributed all over the continent for the purposes of private wine presses.

I myself met five different American citizens of the highest position and respectability—men of whom any country might be proud—who told me that they imported grapes from California and wine-makers from Italy, in order that their respective ages might not be compelled to depart by what they regarded as an intolerant tyranny from lifelong habits.

The Results Summarised

I summarise, therefore, the answer to the first question which I have proposed by saying·

(1) That nearly every rich man in the United States has a pre-prohibition cellar which will last him for many years. The possession, it is true, is an anxious one, for it is almost invariably protected by armed guards at night.

(2) That no poor man has such a cellar.

(3) That the rich man can reinforce his supply because he can afford to pay an absolutely reliable bootlegger.

(4) That the poor man, if he decides to drink, must take terrible risks, because the kind of bootlegger open to him is less expensive and less discriminating

(5) That apart from bootlegging and smuggling, the consumption of alcohol upon an immense scale takes place in the United States of America.

(6) It naturally happens that the proceeds of that consumption accrue almost entirely to those who have the wit to contrive it and the resources to establish it

(7) That no one who is careful, prudent and equipped with money need fail to obtain reliable alcohol at a comparatively reasonable price in any great city in the United States of America to-day.

The Consequences.

It remains now to consider the second question, viz, what are the consequences of the failure of prohibition to stamp out the sale and consump-

tion of alcoholic liquor; and what inferences are to be drawn from that failure in relation to the moral aim attempted?

Although the failure is almost universally conceded, it must not, therefore, be assumed that in the peculiar circumstances which exist in the United States the Prohibition Act will be repealed. Nothing appears to me less likely.

It is indeed true that there exists a considerable movement in favour of allowing the consumption of light wines and beers. Such a change is no doubt recommended to those who advocate it by the fact that it could be effected by a modification in the Schedule of the Volstead Act without undertaking the almost impossible task of amending, in the cumbrous method which alone is possible, the Constitution. But I do not think that even this slight modification is likely to be attempted.

Across the Border

It is proper now to examine the larger question. What is the prospect that prohibition will *in toto* be repealed; and that the United States will now or hereafter regain in this respect the social freedom which is enjoyed by every other country in the world?

We cannot, of course, reason from the experience of the Dominion of Canada. That country, indeed, succumbed, except where the sturdy common sense of the French population of Quebec proved an obstacle too strong for conquest by the wave of emotionalism which swept over the United States. But it has been changing its mind ever since, and has given in nearly every province practical expression to these changes.

Indeed, the comfortable material advantages afforded to a population where alcohol can be obtained by contiguity, over a boundary of thousands of miles, with an infinite and thirsty population, where it cannot be procured, have produced the result which any reasonable man would have expected. Montreal, for instance, has become a very favourite place for long week-end visits by citizens of the United States. And the experience of Montreal is being repeated on a smaller scale in every Canadian centre, urban or rural, which affords the prospect of a pleasurable and refreshing visit.

In Canada.

The system which prevails in most parts of the Dominion is that of sale by the Government. Wine, indeed, including champagne and beer, can be obtained at any restaurant or hotel. Spirits can only be obtained at a Government shop. Only one bottle is allowed upon a single visit. But the visitor, if his need be great, is permitted to repeat his visit with the same fruitful consequence. So that if a man wants six bottles of whisky he must send his servant six times to the Government shop.

The method is perhaps a little more clumsy, but the result ultimately obtained is not very distinguishable from the easy system to which we are accustomed at home.

So much money has been made in the Dominion of Canada, directly or indirectly, as the result of prohibition in the States, that financial conditions in the only great Province which still remains dry are imperiously suggesting a change in the present law. I am inclined to believe that almost by the time these words appear in print it will be found that the whole of the Dominion of Canada has recoiled from this bizarre experiment.

New American Industry.

Reference [illegible] ...ican industry—bootleg-
ging. The re[illegible] its ramifications, its
influence, and [illegible] rstood in this country;
I doubt even [illegible] in the United States.
And for the f[illegible] the whole influence of

the drink trade—now an illegitimate, not a legitimate trade—is thrown upon the side of fanatical teetotalism. I was indeed informed, and upon credible authority, that many bootleggers' cheques, decorously masked, of course, help to swell the funds of prohibition.

Could a situation more savagely ironical be conceived? A system was imposed upon vast numbers of American citizens—whether a majority or a minority matters in this connection not at all—which they repel as tyrannous. The drink trade resisted it, but vainly, in all its organised strength The *result is that the drink trade is to-day enthroned* in greater strength and hardly less wealth than before, though its activities have been driven to illegitimate and subterranean channels.

Just because the profits of this trade are so stupendous those who carry it on prefer the existing system, with all its risks, to the doubtful chance of reversion to the old practice. And for this reason they are the most formidable, if they are the most silent, allies of prohibition in the United States of America.

BREEDING DISRESPECT FOR LAW

The American nation has in the main always been admirably law-abiding. The framers of their Constitution and their High Judges perceived with unswerving clearness of vision that respect for law is the very foundation of civilisation. And a nation cannot respect the law it breaks. For it is one majestic whole Its reputation, its binding force, the reverence which citizens entertain for it, depend, not upon one out of the thousand angular aspects they depend and always *will* depend upon the general *recognition* that "*It is the Law and because it is, the Law must be obeyed*".

You can no more attempt reverence for the law as a whole while segregating one department from that whole as foolish, indefensible and therefore *violable*, than you can say of a citizen *that* he is a man of the most admirable moral character, but that he unfortunately suffers from occasional homicidal impulses

Those who forced prohibition upon the American people did it with the full knowledge that millions of their fellow-countrymen would repel it as a tyrannous injustice

"MY BOOTLEGGER"

What is the consequence? In every large city the law is openly violated. Citizens of [illegible] violated any other law, openly and [illegible] no obligation under this law. Many [illegible] upon their tables with the same openness as is to be observed at the Carlton Restaurant in London. Men and women of the highest position openly use the expression "my bootlegger"

It is indeed a notorious fact that the exports of Scotch whisky from one great English house to the United States of America have actually increased since the adoption of prohibition.

Surely the results so far as they have so far emerged from this experiment justify the conclusion that where one is dealing with self-relating actions, *the only moral conquests which are either valuable or attainable* are those which are gained upon conscience through conviction; and that a law which intolerantly imposes upon adult citizens an abstinence which they dislike, by prescription which they consider tyrannous, can never effect permanent improvement in human morals.

Exhibit B.

(1) The current report of the Punjab Excise Department says:—"The reports of all the districts in the central and eastern parts of the *province bear* testimony to the increase in illicit distillation and this testimony is supported by the fact that there has been a great increase in the number of convictions,

although even yet the number of convictions bears a very small proportion to the whole amount of illicit distillation that has been carried on throughout the province..... .. The high price of liquor has also encouraged illicit distillation on a commercial scale".

(2) In Salem town in the Madras Presidency, an experiment at prohibition was carried out by the Excise authorities for three years and the results showed "that the consumption of liquor in the town shops decreased but that in the adjacent rural shops increased enormously; the number of offences against the excise laws which were detected increased and there were other indications that malpractices were widely prevalent within the town. The removal of shops outside the town and the reduction in the number set up an aggravated form of public nuisance in places where it did not exist before, concentrated drinking, caused congestion in shops and created a situation which rendered effective police and departmental supervision impracticable *Drunkenness merely increased.*"

(3) In the Central Provinces, "the intensive policy adopted by the Excise Department in the attainment of the goal of prohibition has resulted in several riots, numerous assaults on the police and excise staff. ... .. In parts with a goodly supply of the *mowha*, a new type of criminal has sprung up in the person of the illicit distiller"

(4) Amritsar in the Punjab has had the "blessings" of prohibition now
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Exhibit D.*

(VIII) As regards alcoholic liquors, the customs returns show that any attempt to increase the import duty on wines would almost certainly result in an actual loss of revenue, but as regards ale and beer, liqueurs and spirits, although we should have preferred to have waited another year before raising the duties further, we cannot afford to neglect any possible increase of revenue in the coming year, however small Moreover, when we are proposing heavy additional taxation, affecting many necessaries of life, we think it is all the more imperative to take from alcohol the maximum revenue possible. We accordingly propose an increase of approximately 20 per cent in the duties on all alcoholic liquors, except wines, yielding an extra revenue of 30 lakhs.

Exhibit E.

Extract, page 3512, from the Minutes of the Legislative Assembly held on 21st March 1922.

The Hon'ble Mr. C. A. Innes.

* * * * * * *

The House will remember the history of these liquor duties We have in-
...years. In 1916, for instance,
raised it then to Rs. 11-4.
2, and now we have raised
iat, though we have made
only a small increase in the duties on spirits, we made that increase with very considerable hesitation; because last year, when we added 50 per cent to these

*For Exhibit C see footnote on page 269.

although even yet the number of convictions bears a very small proportion to the whole amount of illicit distillation that has been carried on throughout the province. . . . . The high price of liquor has also encouraged illicit distillation on a commercial scale ".

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[illegible] Excise [illegible] the

(4) Amritsar in the Punjab has had the "blessings" of prohibition now for some years and this is what the Deputy Commissioner of Amritsar has to say about it "*I am inclined to think that prohibitive retail prices and the* [illegible] this [illegible] It [illegible] the [illegible] the

Exhibit D.*

[illegible]

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Extract, page 3512, from the Minutes of the Legislative Assembly held on 21st March 1922.

The Hon'ble Mr. C. A. Innes.

* * * * * * *

[illegible] have instance, Rs 11-4

Last year we raised it from Rs 11-4 to Rs. 18-12, and now we have raised it again to Rs 21-14. I may tell the House that, though we have made only a small increase in the duties on spirits, we made that increase with very considerable hesitation; because last year, when we added 50 per cent to these

*For Exhibit C see footnote on page 269.

divert the trade which is at present controlled, into undesirable hands. That has been the experience in practically every country which has tried prohibition

Dr Paranjpye. Q.—It is possible that people who are habituated to drink may resort to illegal or illicit distillation. The object of having prohibition legislation is rather to raise up a generation of people who have not tasted drink and who will therefore be entirely free from the taint of drink. Don't you think there is a point in this?

A.—There is, theoretically; in practice it has not been borne out. If you read the different reports issued by the Prime Minister of Iceland, you will find that during the period of prohibition in Iceland they had far more trouble from the youth of the country than they had from the adults who had been accustomed to alcohol all along.

Sir Percy Thompson. Q—Is it not the case in Newfoundland too?

A—I believe so From the facts described in the Iceland report one would gather that it is impossible to legislate against what people consider a lawful habit

Dr Paranjpye Q—The younger population will come to regard it as an unlawful habit.

A—The very fact that in getting a drink one is breaking the law will appeal more to youths than to adults. That is borne out in the Prime Minister of Iceland's notes You will never be able to eliminate alcohol to such an extent as to prevent youth knowing the pleasures of it.

The President Q.—In Iceland the actual leaders of the agitation for prohibition were the people who moved the amendment?

A—Exactly.

Dr Paranjpye. Q.—Your thesis will practically mean the abrogation of all criminal law altogether?

A.—No.

The President. Q—Your point is that the present policy in India is reducing revenue, but not reducing drink.

A—That is just what it amounts to. It has reduced consumption to a certain extent

Q—But there is very large illicit consumption taking place You say so later in your reply.

A—There is in country spirit. I am now arguing against prohibition and, although I represent foreign liquor, in my arguments against prohibition in this country in respect of illicit consumption I have to fall back on the particulars I have about country spirit

The reduction of foreign liquor on account of the policy of Government has been stupendous. Since 1920-21 it has fallen from 1,227,000 gallons, by nearly a third.

Dr. Paranjpye. Q.—At any rate there is not much chance of illicit distillation of foreign liquor.

A—That is impossible; but you have the locally made imitations of foreign liquors

Q—Has the consumption of country made foreign liquor gone up?

A.—I do not think so.

Q.—At any rate the temperance policy has been successful in reducing the consumption of locally-made foreign liquor.

A.—It has reduced the consumption of foreign liquor.

Q—Is there no off-set in the way of illicit consumption?

A.—There may be an increase of consumption of the lowest grades of German spirit and the cheapest liquors

Q.—There has been illicit distillation of a luxury spirit as well as of a plain spirit?

A.—The Commissioners' reports I have read do not indicate in which really there has been illicit distillation Every report I have read recently however, is very strong on the point of illicit distillation in every province

The following figures show the drop in imports of whisky and brandy since 1920.—

	Gallons
During 1920-21 the imports were	1,227,000
Next year they fell to	837,900
Next year they went up to	869,000
And the next year to	875,000

If this year the imports for the last two months are on the same ratio as those for the first ten months, they will drop by 50,000 gallons

The President *Q*.—Are these spirits?

A.—Whisky and brandy, London proof gallons.

Sir Percy Thompson *Q*.—1920 was a boom year

A.—Yes, 1920-21 was the boom year But the import duty then was only 11 4 per proof gallon In 1921-22 the duty was put up to 18 12 and the following year to 21.14

Q.—Has not the consumption of whisky and brandy since the duty was put up fallen off in England almost to the same degree as compared with 1920?

A.—It was before that. Mr. Lloyd George put up the duty first of all about 1908 to 14*s*. 9*d* then it rose to 72*s*. 6*d*. during the War. Another important fact affecting consumption was that there was no distillation at home of malt whiskies during the war period, and 85 per cent of the distillation of grain whiskies went to munitions The distilleries were allowed to lay down only 15 per cent of their output

Q.—Now it has reached normal. But has not the consumption of spirit in England fallen off by something approaching 33 per cent. as compared with 1913-1914?

A.—I could not answer that

Q.—The imports were very high in 1920; is that a fair year to take?

A.—As regards India, I do not think it is an unfair year to take. Though it was a boom year, there were factors which tended to diminish imports. The supply from Scotland and Ireland was restricted, and again freight was restricted I know one big firm here, who represent Johnnie Walker, who at one time could not get any more than their fixed ration.

The President. *Q*.—You say that these figures represent consumption.

A.—They are imports of whisky and brandy into India during those years—import entries

Q.—That would hardly be consumption.

A.—It is very close to it.

Sir Percy Thompson. *Q*.—What I am suggesting is that, if you take the year 1920, first of all it was a boom year; a year of comparatively low duty, and on the other hand, there are the factors you mention. Is it not fairer to take a year like 1913?

A.—I should think so.

Q.—If you take 1913, has the consumption fallen?

A.—I couldn't tell you; I have only got the figures since the war period.

Q.—I think it is fair to take the year 1913, because if you take 1920 you cannot say what the effect is.

A.—One of our appendices, you will find, attributes the decrease to the very big increase in duty and license fees.

The President. *Q*.—You refer in your statement to a Temperance Bill introduced in the Assam Legislative Council?

A.—That is still in the Committee stage.

Q—In answer to question No 62, you say that a policy of total prohibition would certainly entail a loss of revenue and also inevitably make necessary a huge expenditure for its enforcement. Can you give us any instances of the sort of expenditure involved in other countries that have adopted prohibition?

**A*—I cannot quote figures I do not think you can put any weight on the figures of cost in America America is the only country, I believe, that has published any figures One can see the policing that will be necessary in India if prohibition were enforced.

Q—One of your extracts points out that the bootleggers themselves support prohibition, because prohibition pays them.

A—It is very profitable. The report of the debate in the Central Provinces Council shows too that attempts to enforce such policy would lead to continual friction between the people and the Police and the Excise Departments of Government.

Q—In your reply to questions Nos. 64 and 67, you refer to the replacement of wholesome spirits by very much less desirable commodities in the shape of country spirits and German spirits. Have you any figures to prove that?

A—No, the only figures I have are out of date. They are rather difficult to get Bombay seems to be the port where most of the German spirit comes in From 1st April 1922 to 31st March 1923 Bombay imported half a lakh of gallons from Germany alone.

Q—Have you any evidence to show that the spirit is more harmful?

A—The great difference between German spirit and Scotch whisky apart from quality is in age. The proof that the whisky-makers usually give that German spirit is more harmful is one's feelings the morning after having taken it

Q—Will German spirit improve by keeping?

A—Probably by being kept in good wood.

Q—You have no experience of Sir Charles Bedford's enquiry. The general conclusion of the enquiry was that if you had a headache in the morning, that was because you had taken too much

A—Undoubtedly there are spirits of variously harmful degrees. What the whisky trader has always contended is that a chemist cannot make good old whisky, nothing will displace maturity, but we do not know why.

Sir Percy Thompson *Q*—A good deal of it is due to fusel oil?

... malt whisky. It
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...

on sales. Now they put on an Excise tax of 2 annas a bottle on spirits and half an anna a bottle on beer, irrespective of the strength That works out at Rs. 1-8 a case of whisky and the same for beer. The only other province

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* Below I give a quotation from the Wine Trade Review of 24th October last.

"Prohibition headquarters in America state that the enforcement of prohibition has cost the lives of 37 Federal agents and £10,000,000. Over 60 ... agents and
... activities
... n officials
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... has been

that has followed on these lines is the Central Provinces: they have various rates, but the maximum rates are 6 annas a bottle on spirits and 1½ annas on beer

Sir Percy Thompson. Q.—Is that for the licensed vend of foreign liquors?

A.—Yes, we have to submit a statement of our monthly sales to the public which are taxed at these rates.

The President. Q.—But you say in answer to question No. 72 that an importer in the Central Provinces pays Rs. 3 per case of wines and spirits and Rs. 3 per case of beer, that all losses have to be paid for by the importer and that no rebate is allowed in the event of the liquor being re-exported.

A.—That is another case. A foreign liquor licensee under an "off" license pays 4 annas a bottle or Rs. 3 a case, that is on "off" sales to the public. A foreign liquor licensee under an "on" license which corresponds to a public house license, pays 6 annas a bottle, i.e., Rs. 4-8 a case, and Re. 0-1-6 a bottle on beer. If you have a combined "off" and "on" license, you have to pay the maximum duty on all sales. No rebates are allowed for breakages or bad debts. If in Calcutta we get an order from a person in the Central Provinces, we can send him the goods and he pays no tax on it. The result is that the trader in the Central Provinces is at a disadvantage. If this is pushed to an extreme, he will have to go out of the business.

Q.—It is only the retail licensee in Bengal who pays by the bottle?

A.—The seller to the public. We pay the tax only on sales actually made in Bengal. We have to pass that on to the consumer in prices, but we pay to Government. If the trader in the Central Provinces purchases from Calcutta, he does not pay.

Q.—Does not the Central Provinces Government ask you to recover the money for them?

A.—No, they would have to do that through the Bengal Government.

Q.—If you send whisky to a station master just across the border, he would have to pay no duty and could re-export it across the border?

A.—Yes. The policy of Government is driving people to be dishonest.

Q.—You cannot vary your prices according to the provinces you supply?

A.—We cannot. But in Bengal if we sell to a club, we have got to charge the tax. If the club is outside Bengal, they are not asked to pay.

Q.—They can buy from your branch in the Central Provinces?

A.—If the sale is in the Central Provinces then they have to pay the Central Provinces duty.

Dr. Paranjpye. Q.—If your Central Provinces branch sells it to people outside the Central Provinces?

A.—The Central Provinces legislation has been just introduced a few months ago and I really do not know whether they will take the tax whether the goods are sold in the Central Provinces or outside it.

Sir Percy Thompson. Q.—Is there any remedy for all this, except uniform vend fees?

A.—There should be liaison between the different Excise Departments.

Q.—Is not the real trouble this: that as provincial Governments are getting nothing on the foreign liquor consumed in their provinces, the people are being forced to take to country spirit on which the Provincial Government gets quite a big sum?

A.—That may be. But they are unable to persuade the consumer who is accustomed to foreign liquor to resort to country spirit. Perhaps you could do it in the lower strata. You would never get a club man, for instance, to drink country rum.

The President. Q.—Have you ever tried the whisky from the Punjab?

A.—No.

Q.—In answer to question No 62, you say that a policy of total prohibition would certainly entail a loss of revenue and also inevitably make necessary a huge expenditure for its enforcement. Can you give us any instances of the sort of expenditure involved in other countries that have adopted prohibition?

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A.—There should be liaison between the different Excise Departments

Q.—Is not the real trouble this: that as provincial Governments are getting nothing on the foreign liquor consumed in their provinces, the people are being forced to take to country spirit on which the Provincial Government gets quite a big sum?

A.—That may be. But they are unable to persuade the consumer who is accustomed to foreign liquor to resort to country spirit. Perhaps you could do it in the lower strata. You would never get a club man, for instance, to drink country rum.

The President. Q.—Have you ever tried the whisky from the Punjab?

A.—No

Q.—You say that the license fees have been increased beyond all reason. Have you not a sliding scale?

A.—No.

Q.—Your liquor license in Bengal is so arranged that the more you sell, the less percentage of profit you will get?

A.—I do not know.

Q.—The sliding scale is this · supposing they take annas 2 a bottle on the first hundred; it will be annas 3 on the next hundred; annas 4 on the next one hundred and so on until on the last one hundred the whole profit is taken up.

A—That must apply to county spirit.

Q.—You may have a provision like that.

A.—I think that the Government is now fairly well convinced that it would be dangerous to harass the legitimate trade any further. They are making it so very difficult for the honest man that he will leave the business and turn his capital to something else and you are going to drive the trade into hands that are not desirable. That is our experience. To show how license fees have been increased beyond all reason, I quote figures sent me from one of the representative houses of foreign liquor importers in India. These give the sales, in cases, of spirits, wines, and beers from 1920 and against each year is also shown the amount paid in license fees It will be seen that although sales have dropped appreciably, the amount paid in license fees has almost doubled within five years *

Sir Percy Thompson. Q.—May I put it this way: that if you have reasonable cause for complaint on account of the high fees in Bengal, *a fortiori* the trader in the Central Provinces has got far more reason for complaint.

A—Exactly. He is very hard hit in comparison with Bengal. Then, as far as one can judge from the resolutions passed in Madras and Bombay, the Extreme Temperance Party are out to make it even more difficult there. All provinces will be competing with one another as to who will kill the trade first.

The President. Q.—You also mention the great reduction in the number of licenses

A.—Yes. That applies mainly to the reduction that has taken place as regards foreign liquor in the Punjab The reduction that took place in Bengal was not very great, but the Extreme Temperance party proposed this year at the Licensing Board a reduction of 10 per cent. in the foreign liquor licenses.

Q.—Have the railway licenses been much reduced?

A.—No.

Q.—Have you heard of any difficulty in respect of refreshment cars travelling from one province to another?

A.—No.

Q—The license fee for the cars in Bombay is much higher than here?

A.—They pay no license fee in Bombay.

Q.—Do they require any pass?

A—No.

Q.—About illicit distillation, have you any experience of the use of substitutes for liquor—say methylated spirits?

A.—Not in this country. It is very prevalent at home.

*	Spirits (cases).	Wines (cases).	Beer (cases).	License Fees. Rs.	A.	P.
1920	49,058	9,983	10,912	26,991	5	0
1921	36,206	8,684	12,496	30,190	9	0
1922	30,834	7,533	16,529	41,863	14	0
1923 . .	21,985	6,755	20,477	45,165	6	0
1924	21,138	6,494	27,821	45,890	4	0

19th March 1925.

CALCUTTA.

PRESENT.

Sir CHARLES TODHUNTER, K.C.S.I., I.C.S., *President.*
Sir BIJAY CHAND MAHTAB, G.C.I.E., K.C.S.I., I.O.M., Maharajadhiraja Bahadur of Burdwan
Sir PERCY THOMPSON, K.B.E., C.B.
The Hon'ble Sardar JOGENDRA SINGH.
Dr. R. P. PARANJPYE.

Mr. K. C. De., C.I.E., I.C.S., M.L.C., Member, Board of Revenue, Bengal, was examined.

Written memorandum of Mr. De.

Q. 10.—In Bengal "Land Revenue" includes "Miscellaneous Land Revenues" which consists of revenue derived from the sale of Government lands, value of land revenue abated when lands are acquired by the Government for a local authority, or a company, fees and fines under different land revenue enactments, redemption of land revenue, fisheries and other receipts such as premiums on settlement or mutation, price of trees or fees from forest produce and royalties on minerals extracted. The total collections of miscellaneous land revenue approximate less than 2 per cent of the total land revenue collection.

Q. 11.—

Q. 96.—
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Tax, on th
Governmen
plies nothi
administration which are equally enjoyed by those who may not have been taxed.

Indian land revenue is therefore a rent and not a tax.

So far as is known to this Board, these considerations apply to all land revenue systems in force in different parts of India.

Q. 97.—It depends on the incidence of land revenue on the value of the produce. In Bengal the incidence is very small, and in the opinion of the Board the prosperity of the cultivator is not affected by the land revenue either in zamindari or in raiyatwari estates.

Q. 98.—The Board cannot concur in the criticism quoted for the following reasons:—

(i) Although the land ... generally made in consi-
the land and
he revenue is
rary inability
... and no im-
caused by natural disasters such as flood ... pediments are placed in the way of a tenant permanently unable to pay to the surrendering of his *tenancy* or in the case of a permanently-settled estate to the defaulting in payment of revenue, when the estate is sold up.

(ii) There is the element of uncertainty in all forms of taxation as they depend on a variable rate prescribed *from time* to time and it is only in the case of permanently-settled land revenue that

the assessment is fixed. Thus, so far as land revenue is concerned it is not the only form of taxation that is lacking in the element of certainty.

(iii) The Board cannot agree that the collection of land revenue leads to any official tyranny or extortion, certainly not more than that of any other tax. In Bengal, the times of payment of revenue are fixed after careful enquiry and times most suitable to the cultivators are invariably prescribed.

(iv) In Bengal the total expenditure under the head "Land Revenue" is only 9 per cent. of the total receipts under the same head.

Q. 99.—Such inequality is necessarily unavoidable.

Q. 100.—(i) A general subsistence level cannot be obtained for a vast country like India. Certainly Rs 2,000 is not such a level.

(ii) It is not practicable for a taxing officer to ascertain whether an agriculturist's income exceeds any particular figure without expenditure of considerable time and trouble and causing considerable annoyance to the cultivator.

(iii) Such exemption, if granted, will certainly lead to immediate and extensive fractionisation of holdings and considerable reduction of revenue.

Q. 101.—There is such a suggestion before the Board. Theoretically the Board is inclined to approve of the suggestion, but there are many practical difficulties in putting it into effect. There is no other suggestion for checking subdivision of holdings.

Q. 102.—No. For new lands about to be brought into cultivation long leases are essentially necessary in order to induce the agriculturist to expend labour and money necessary to develop the land. Without security of tenure, no cultivator will agree to bring new land into cultivation.

Q. 103.—The land revenue leviable within municipal limits is insignificant in Bengal and is generally fixed permanently. A uniform policy has been prescribed by the Board for the assessment of all Government lands in towns.

Q. 104.—By the method numbered (5) as—

(i) it is the most equitable, and

(ii) it was the method of assessment used by the Government in pre-British [illegible] days in India.

Q. 168.—The Department [illegible] of Income-tax has been removed from the functions of the D[illegible] Collectors [illegible] in some places and in a few years all Collectors will be [illegible] Collectors [illegible]ies in this connection. The Collectors have also been re[illegible] of their du[illegible]t of their duties in regard to the Excise Department. [illegible] some exten[illegible]tration staff has been reduced in consequence of the [illegible] admini[illegible]. The colle[illegible]ctions of stamp and opium revenue still remain with th[illegible]. Since th[illegible]e imposition of the Amusement Tax, the collection of th[illegible] [illegible]red to the District Collectors. Further taxation functions can be [illegible] by them [illegible] though this may possibly require increase in the subor[illegible] [illegible]ba[illegible]ff.

Copy of Letter No. 1820-[illegible] dated the [illegible] 7th March 1925, from the Secretary to the Board of Reven[illegible] [illegible] Group, Miscellaneous Branch, to the Secretary to the In[illegible]axation [illegible] Enquiry Committee.

[illegible] to refer to your letter No. [illegible]52/585, dated 13th March, 1925, [illegible] Board of Revenue, Bengal, asking for [illegible] Hon'ble Member's examination before the [illegible] following replies to the points raised in your letter.

2. *Q. 98* (iv).—It was stated by the Hon'ble Member that the total expenditure under the head "Land Revenue" is only 9 per cent of the total receipts under the same head.

This percentage was given on a consideration of the total receipts under the head V—Land Revenue (given at page 9 of the Civil Budget Estimate for 1924-25 and amounting to Rs. 3,12,62,430) as compared with the total expenditure under the same head (given at page 21 of the Budget Estimate and amounting to Rs 28,95,148)

In point of fact this expenditure contains many items unconnected with the collection of land revenue, and it may be said that in this province the cost of collection of land revenue in the case of estates under private management is *nil*, because the land revenue is paid by the parties themselves direct into the Treasury.

It is only in the case of Government estates that there is any cost of collection and from the Budget Estimate it will be seen that collections from Government estates total Rs 60,05,266, while the cost of management is Rs 6,58,100

Taking the province as a whole, therefore, the cost of collection of land revenue is far less than 9 per cent of the revenue obtained.

3 *Q. 101*—The question of levying a fee for mutations in Government estates is under the consideration of the Board of Revenue, and the Commissioners of Divisions have been asked for their opinion on the question. The proposal is to levy a mutation fee of Rs 5 when the subdivision of a holding is sought for

4 *Q 103*—The papers referred to are —

(*a*) Mr Thompson's report on the principles for the assessment to land revenue of non-agricultural land situate in urban areas, paragraph 29.

(*b*) The Government Estates Manual, Sections 152 and 153 and 190. Except in the case of canal surplus lands and *khas khamar* lands in Panchannogram in the district of the 24-Parganas, no definite rules have been laid down for the settlement of land in urban areas, but proposals are under consideration for the extension of these rules to other districts also

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Mr. De gave oral evidence as follows :—

The Maharajadhiraja Bahadur of Burdwan. Q—In reply to question No. 10 you have given us your miscellaneous land revenue receipts.

A.—Yes.

Q—You mention all the different sources of revenue.

A—Yes

Q.—In Bengal, Government possess a considerable amount of *Khas mahals*?

A.—Yes

Q.—In these *khas mahals* is any effort made to get what we may call the economic rent from the different tenants?

A—No, certainly not No attempt is made to get the economic rent, by which I understand you mean the highest possible competitive rent that could be obtained.

Q—Not necessarily that; I mean a rent which is high but at the same time is fair.

A.—In no *Khas Mahals* do we do that. Our usual criterion is to find out the rent of similar lands in the neighbourhood and the rent in the *Khas Mahals* is fixed a bit lower than that.

Dr. Paranjpye. Q—You allow occupancy rights?

A.—Almost everywhere.

The Maharajadhiraja Bahadur of Burdwan. Q—With the exception of certain areas you have not introduced *salami* into *khas mahals*?

A.—It has been made the universal rule, but there are a few exceptions; formerly it was not.

Dr Paranjpye *Q*—You have legalised it.

A—Yes.

Q.—In the Central Provinces they tried to stop it; you have made it legal.

A—We have made it compulsory generally; but there are a few exceptions.

Sir Percy Thompson. *Q.*—It is compulsory on Government land?

A—The Tenancy Bill has been drafted by a committee. The Bill is going to recognise *salami* and make it realisable at a fixed rate.

Q—Under the Bengal Tenancy Act the rent the zamindar can charge is limited

A—He cannot enhance beyond a certain point. But the first or the original rent can be anything that he likes.

Q.—What do you mean by new land?

A—In respect of new land whenever a settlement of rent is made, he could charge even 100 rupees an acre, so far as the tenancy law is concerned.

Q.—He can charge a full rent?

A—Yes. There is nothing to limit him there. But when once the rent is settled, he cannot enhance for fifteen years and after that period the enhancement cannot exceed the rate of two annas per rupee.

Q—Government treats all tenants as if they had occupancy rights?

A—Yes.

Q—Even in respect of a new tenant?

A—When a new tenant comes in, he pays a premium and the rate of rent is fixed a little lower than what the zamindari raiyats pay.

Dr Paranjpye. *Q*—If you limit the enhancement of rent but allow the landlord to have absolutely perfect freedom to charge whatever premium he likes, to a great extent the privileged position of the tenant is gone.

A—After a settlement no premium could be charged except on transfers.

Q—Then the effect of limiting the enhancement practically disappears.

A.—In consequence of that it is proposed to fix a maximum rate at which zamindars may charge premiums in cases of transfers Different rates are charged by zamindars in different parts of the Presidency. In some cases it is 25 per cent of the purchase money and in some places it is ten years' rent.

The Hon'ble Sardar Jogendra Singh *Q*—A holding can become *khas* by surrender?

A—Yes, or by purchase by the landlord Purchase is the common thing in rent execution decrees. When you sue the tenant for rent and when he does not pay, the holding is put to sale and when nobody buys it the zamindar buys it in and it becomes *khas*.

Q.—The occupancy rights are not affected at all.

A.—They lapse. The landlord generally charges a premium and without it he does not recognise a purchaser.

Dr Paranjpye. *Q.*—In that way in the average how often will this premium has to be paid?

A—It would happen once in 50 years or in a somewhat less period

The Maharajadhiraja Bahadur of Burdwan. *Q.*—In consequence of these premiums being paid, do you think that this gives an opportunity to the landlord to make rents equal to rackrents?

A.—Not in Bengal. It has not reached that stage. Rent is still very low.

Dr. Paranjpye. *Q*—But the rent together with the interest on the *salami* will become a rackrent?

A.—Not even in that case.

The President. *Q.*—Whenever a piece of land is freshly leased, can the landlord get as much rent as he likes?

A.—There is no limit to it. But everything is conducted according to custom. If the *pargana* rate is so much he takes only that much.

Q.—Supposing the zamindar finds a new tenant whom he can charge as much as he likes?

A—I say there is nothing in law to prevent it. But in practice a zamindar settles according to the rate at which he has settled other lands

The Hon'ble Sardar Jogendra Singh *Q*—Whatever the prevailing rate is, the zamindar gets only that much?

A—Quite so. But there is a tendency in Western Bengal to take rent in kind on resettlement. This is usually half the produce and may be considered an economic rent.

Sir Percy Thompson. *Q.*—Supposing the customary rent is Rs. 500 and somebody offers Rs. 750, will he accept it?

A.—He will accept it but there is no such competition for land as all candidates know that the zamindar will accept the customary rent.

The President. *Q.*—Mr. Thompson's report says that there is competition in towns

A—In towns there is generally competition

The Maharajadhiraja Bahadur of Burdwan. *Q*—The practice differs very much between East Bengal and West Bengal and North Bengal and South Bengal?

A—Yes. The reason why competitive rents are not charged is that there is not much competition for land in agricultural areas In towns there is very great competition for land

Q—But the tendency of the Bengal landlord is not to take full rackrent and the Government takes the attitude of being a little better than the landlord.

A—There is not that tendency among the landlords

Q.—Is it not a fact that in West Bengal very often the landlord takes the line of least resistance? He does not want to lose his occupancy tenant but at the same time he wants to take from him as much as he can.

A—That is a fact and the reason is that in Western Bengal the land is very unfertile and very unhealthy and the agricultural population has very much decreased in recent years The zamindars have to pay money to get people from Central India In Burdwan and Hooghly at least one-third of the land is being cultivated by immigrants from outside Bengal, chiefly Sonthals.

Q.—Is a Government tenant more favourably situated than the zamindari tenant, apart from the actual rent?

A—*Abwabs* are generally taken in zamindari estates They are not recognised in Government estates. Government tahsildars sometimes charge them surreptitiously but it is at much lower rates than in the zamindaris.

Q.—Government generally favours occupancy rights

A—Yes. In West Bengal zamindars also favour the acquisition of occupancy rights, as they want tenants to settle on their lands. In other parts this is not always the case.

Q.—I think royalties on minerals are a very insignificant item in Bengal.

A.—Yes. It is chiefly in the Chittagong district where you get some royalties from stone and sand.

Q.—There are no Government coal mines in Bengal?

A—No, there are only zamindari coal mines.

Q.—In your temporarily settled areas, in *khas mahals*, would there be many tenants big enough to pay income-tax on agricultural incomes, supposing it is levied?

A.—There are some in Eastern Bengal.

Q—I ask you if there is a sufficiently large number of people to justify the Government taking action?

A.—No. That is to say, taking the present limit of 2,000 rupees, I think, there would be very few indeed to be taxed I don't think it would be worth collecting, moreover the enquiry and the collection would be very costly.

The President Q.—Can you suggest any ratio between the rent and income?

A.—No, Sir

Q.—You could not say that a man paying 500 rupees rent makes an income of 2,000 rupees?

A.—No

The Maharajadhiraja Bahadur of Burdwan. Q.—In Government *khas mahals* is fractionization very much indulged in?

A.—Yes. Under the Board's Rules we do not recognize transfers of fractions of holdings, but we are compelled to recognize them at the resettlement.

The President. Q.—Why do you not recognise them?

A.—We do not recognise them because it increases our work very much But the Settlement Officer records holdings according to possession and we have to collect according to his *jamabandi*.*

Q.—Is it not one of the terms of your leases that the holding is not transferable?

A.—Only in a few cases in colonisation areas.

Q.—Is there anything to prevent you inserting such a clause?

A.—There is, because of the old customs We got these *khas mahals* in various ways Tenants have already got transferable occupancy rights and we cannot interfere with them In certain districts the High Court has decided in their favour Sometimes we claim that they do not possess the power to transfer, but the decision of the Courts proves the fact to be otherwise.

Q.—Is this a piece of customary law?

A.—Yes.

Sir Percy Thompson. Q.—I suppose fractionization is not a very serious problem in Bengal, if, as you say, competition for lands is not very keen.

A.—I do not know whether it is a serious problem or not, but there is a marked tendency towards it. Holdings are getting too small and they are becoming uneconomic.

The Hon'ble Sardar Jogendra Singh. Q.—Do you think the landlords are always anxious to get as much as they can from their tenants?

A.—Yes

Q.—We hear that rent is very light here because of the permanent settlement, how does it really compare with the income?

A.—It varies according to the size of the holdings. But I can safely say that the income is dwindling instead of increasing.

The Maharajadhiraja Bahadur of Burdwan. Q.—Have you any planters' estates under you?

A.—Yes, we have tea gardens in Jalpaiguri.

Q.—Owing to the permanent settlement your income from land revenue is inelastic; in those estates do you try to charge economic rent?

A.—In planters' estates, we have got to first offer a low rate in order to induce people to come in, because planters have to spend a very large amount of capital to bring the new lands under cultivation. It requires a lot of capital and industry to form a new garden.

The President. Q.—Is settlement the same there as in *khas mahals*?

A.—Not exactly like that. These are big grants which are made to capitalists. We charge a rate which is very small in the beginning

Q.—In some provinces the assessment depends upon the cultivation.

* This was formerly the practice. Now the Settlement Officer does not recognise subdivision of holding unless the Collector agrees.

A.—At the time of resettlement that is done. The first settlement is at a lump sum, then after 10, 15 or 20 years, when resettlement takes place, we assess full rents separately on the cultivated and uncultivated area.

The Maharajadhiraja Bahadur of Burdwan. Q—Is not the Government very chary about giving out lands for tea cultivation which could be used for rice cultivation? There is a general cry among the people that they want more land for rice cultivation and they do not get more lands for rice than it is absolutely necessary

A—That is not the fact When we give out lands for tea cultivation, we include in it a certain amount of rice land also chiefly for the labouring classes in the tea estates. Moreover there is a general principle laid down by the Board that land which is cultivable for rice should not be given out for tea production. The reason for this is that we must conserve the food supply of the district first before we could think of giving out lands for tea cultivation.

Q—Suppose they first take land for rice cultivation and then begin to cultivate tea in it, will Government object?

A.—Yes. Conversion of paddy lands to tea cultivation is not ordinarily allowed.

Q—Have you got any idea of the rate per acre in the tea estates?

A—The rate is about Rs 2 an acre

Sir Percy Thompson Q—Could you raise the rent to any extent?

A.—Yes. There is nothing in the law to prevent us from doing it.

The Maharajadhiraja Bahadur of Burdwan. Q—Take the Bakharganj colonisation schemes, here again, so far as I recollect, as in the Sunderbunds, you do not charge higher rates because you want to encourage people to settle down there.

A—Yes.

Q—But in Bakharganj when you establish these colonies, do you start first of all with low rents and then go up?

A—Yes

Q—In these colonies is the rent ordinarily when it reaches the maximum, higher than the ordinary Government *khas mahal* rates?

A—No

The President Q—You originally start rent free?

A—Yes, for two years.

Q—You describe the raiyatwari settlement as having no relation with either the Bombay or the Madras raiyatwari system?

A.—Yes, that is in the Chittagong *Khas mahals* where there are hilly tracts *raiyatwari* lands, we mean *khas mahal* lands, the property of Government where we collect rent direct from the cultivators

Q—What do you mean by *gorkati* collection?

A—It is a pasture fee charged for grazing cattle It is a rent for taking the cattle to the pasture land, and is charged from the owners of the cattle

Q—Then you have the wood cutting collection?

A.—Yes, that is in the Chittagong *khas mahals* where there are hilly tracts which cannot be cultivated but where people go and cut the fuel and pay fees for it.

Q.—What is a *salami*?

A—That is a premium.

Q—You collect about 11,000 rupees?

A—That must be on transfers.

Q.—What do you mean by *hât* collection?

A.—It is an ordinary market collection.

Q—Is it not a peculiar feature of Bengal?

A.—I don't know that. I thought it prevailed all over the country

Q—In other provinces it is the function of the local bodies.

A.—It is not the business of the local bodies here, it is the landlord's business. In Calcutta we have got a Government market which brings an income of 3 lakhs.

Q.—Can you tell us the position of these *hâts* at the permanent settlement?

A.—In the permanent settlement these *hâts* were left to the zamindars as part of their *sairat* and they charged anything they liked.

Q.—Has there not been lot of correspondence about these market rates? I do not know if you have read Banerji's "Tales of Bengal." It is stated there

A.—I have not seen this book. But there has been some correspondence about the rates. I know in Bakharganj district the Government objected to a *khas mahal* tenant starting a *hât* We could not stop him. Our legal advice was that we could not stop the man from establishing the market if he wanted.

Q.—Then the effect of this is to impose a tax on transactions?

A.—Yes, to some extent.

Q.—When the Sara bridge was being constructed, Government could not establish a *hât* without the permission of the local people, but is it not a fact that it has become a tax on transactions and no return is given in the form of sanitary facilities and other conveniences?

A.—A *hât* is assessed separately to road and public works cess.

Q.—But the man who levies the cess does not pay anything for the conveniences of the public, such as water-supply, drains, etc.

A.—No. But the landlord spends something on the stalls and keeps them clean

Q.—What about the town lands, are you making any headway in assessing them?

A.—Most of our town lands are permanently-settled lands and we can't do anything with them.

Q.—I gather from the papers there are a good many cases in which it is possible to get a good deal more.

A.—Yes

Q.—It has not been the tendency in the past to get the last rupee from these lands

A.—Yes, but there have not been general rules based on Mr. Thompson's report We are just going to have that

Q.—Assessment in Eastern Bengal is generally quite inadequate?

A.—Yes At the time of the permanent settlement Eastern Bengal was one great swamp, so they paid very little Government takes very little from the town lands where the rents are usually very low. We tried to enhance and very expensive litigation followed and we lost the case.

The President *Q.*—There has not been a tendency to make up the losses of the permanent settlement by taking everything that could be had from other lands?

A.—No, except as I said from the town lands.

Dr. Paranjpye. *Q.*—You talk about redemption of land revenue, does it go into the current revenue?

A.—Yes, but it is very little. We take 25 times of the land revenue and make it rent free, as it does not pay us to collect a few annas for little bits of land. The collection goes into Land Revenue Miscellaneous and is very little. If you see the Board's Land Revenue Report you will be able to find out the exact figure.

The Hon'ble Sardar Jogendra Singh. *Q.*—I want to know whether you define the land revenue as a tax or a rent. Is land revenue not a charge on the property of the subject?

A.—Certainly it is, but it is not levied like a tax. It is levied in return to the occupation of the land, whereas income-tax that I pay is not in return for anything I get from Government.

Q.—Do you actually get the lands from Government?

A.—Of course, all the lands belong to Government In Bengal the King-Emperor is recognized to be the owner of the land If you look at the settlement records, you will find the owner is put down as *Bharat Samrat*.

Q.—Suppose there is crown land and that crown land is given out for cultivation to a tenant, then that man has a right to buy out the ownership of that land by making a certain payment, what is the nature of the tax levied on that land in which actual ownership is acquired by direct payment?

A —You mean he gets a fee simple?

Q —No, he pays land-revenue also

A.—I do not know any case like that Perhaps you are referring to the case of *malikana* in the Punjab

The Hon'ble Sardar Jogendra Singh *Q*—The effect of the permanent settlement is that your charges for collection are very small as compared with other provinces

A —Yes I was surprised to see that the question shows that the expenses usually amount to 20 per cent

Q —Yours would amount to only 9 per cent

A —Yes As a matter of fact, if we leave out the administration charges, it is less than 1 per cent

Q —That is due to the permanent settlement.

A —Yes

Q.—The difference is a saving to the State

A.—Even in direct raiyatwari areas, our cost of management is only 9 per cent For collection of 60 lakhs, the expenses would amount to Rs 5,91,000

Q —That leaves out of account the whole of the settlement staff

A —The reference in the question also leaves out the expenses of the administration

Q —Your province is in any case a gainer by about 11 per cent, because you save expenses on account of having the permanent settlement

A.—I suppose so

The President. *Q.*—Have you ascertained if the cost of collection really amounts to 20 per cent in other provinces?

A.—No, but I see 20 per cent. is put down in the question.

Q.—It is not an official estimate; it is the assertion of Sardar Gulab Singh.

A.—I do not know what the cost is for the whole of India.

The Hon'ble Sardar Jogendra Singh. *Q*—Have you any figures about gross produce?

A.—No, we have no statistics.

Q.—Has any estimate been made of the gross rental?

A.—Yes. The annual value is assessed for purposes of cess collection. It is defined as rent in leased out land and in others it is the net value of the produce I can give you the total gross rental for Bengal. The land revenue demand is 305 lakhs of rupees and the total gross rental is 14 crores and 63 lakhs.

Q —What ratio does it work out to?

A.—Just over 20 per cent., but we have not got the gross produce; we have no means of finding it out.

The President. *Q*—For the purpose of comparison of the incidence of land revenue with the economic rents in other provinces, that is the nearest figure you can give?

A —Yes.

Q.—Although it is less than the economic rent.

A.—It is undoubtedly less than the economic rent.

Q.—We are asked to advise as to the best way of comparing land revenue in the different provinces. The best thing seems to be to attempt to ascertain the percentage on the economic rent

A.—Then we shall have to find out what the economic rent is.

Sir Percy Thompson *Q.*—You have no means of finding it out?

A.—No.

Q—What sort of relation are the customary rents supposed to bear to the economic rent?

A—It is very difficult to generalize; if by economic rent you mean the rent you can get by throwing open the land to the widest competition, I should say it is about half

Q.—Take a province other than Bengal. You have some land which pays competitive rents and some which does not. Then a resettlement takes place and the rents of the occupancy tenants are adjusted. They are raised and in some possible cases lowered, but they are always less than the competitive rents, and you can never tell in what proportion they are raised or lowered. Similarly, what proportion are you aiming at here?

A—We go by what similar lands in the neighbourhood bear.

Q—It is simply regulated by custom?

A—That is all.

Q—You never try to think what sort of relation it bears?

A—No

The President *Q*—You told us that the gross rental is 14 crores 68 lakhs on which cess is collected The cess is 80 lakhs, at one anna in the rupee that will make the gross rental 12 crores 80 lakhs

A—The zamindar in some cases pays some cess in addition to what he collects from the tenant

Q—On that basis sixteen times the cess should be greater than the proportion of the gross rental; it is actually less.

A—Possibly revaluation has not taken place for years, for instance in Burdwan district the last revaluation took place 20 years ago.

Sir Percy Thompson. *Q.*—Don't you deduct the land revenue from the annual value before you charge the cess? Suppose the rental value was 100 and the zamindar pays 20 by way of land revenue, in Bihar and Orissa the cess would be charged only on 80

A—That is so Besides, the cess has not been revalued in many districts for years

Q.—Appendix XXXIII to the Report of Land Revenue Administration in Bengal does not show the amount on which the cess should be collected.

A.—The cess calculation is a very intricate process. There is some amount paid by the tenant to his immediate superior tenure-holder and he pays a certain amount to his superior tenant-holder and so on. Eventually the zamindar pays. These people pay a little in addition to what the tenant pays. Then the cess includes the cess on mines It is not all land cess.

Q—Can you refer us to any manual of law which would tell us all about the permanent settlement and the various constructions that have been put on it?

A.—"Field's Introduction" is the only one I know. I shall see if there is anything else and send you the book.

Q.—Have you worked out any calculation about the percentage you would debit to the cost on account of the Collector and supervising establishment?

A.—No, we have not. For the Deputy Collectors, Tahsildars and the staff, buildings, etc., the Board limits the cost of management of *khas mahals* to 10 per cent.; actually it is 9 per cent.

Q.—What percentage does the Board itself take?

A.—The Board, the Commissioners, etc., are not included.

Q.—Different provinces have different factors, one takes one-tenth of the pay of the Collectors, etc., another a third and so on We want to arrive at some sort of general ratio, so that we can test the statement of Sardar Gulab Singh

A.—Even if you take everything into account, it is only 9 per cent. in Bengal

Q.—You have not made any calculation as to how much it is fair to take?

A.—I cannot tell you

Q.—In reply to question No. 99 you say that the inequality between districts settled at different dates is unavoidable It would not be unavoidable if you could have your settlements simultaneously

A.—The rate is fixed by taking the prices of food-grains during the last 20 years, the prices vary in different parts of the district The price near about Calcutta is much more than at Mymensingh and the same quality of land near about Calcutta will be much higher assessed than the land in Mymensingh

Q.—It is the same proportion of the surplus. If you have one district settled on prices that prevailed before the war and another district settled on prices that prevailed after the war, you have greater inequality merely by the fact that the time of settlement is separate.

A.—That is true

Q.—Have you considered whether there is any way of getting over this by, say, a sliding scale?

A.—No, we have not.

Q.—I see that you are considering a fee of Rs. 5 for every mutation.

A.—That is so, mutation of subdivisions of holdings

Q.—Under what law would you impose that?

A.—The proposal has been made by the Commissioner of Chittagong, the other Commissioners have been asked for their views, we have not decided *anything yet. If necessary, we will have to legislate.*

Q.—There is no fee at present

A.—No There used to be a one anna stamp, but that was abolished by the Board.

Q.—Has the Board power to abolish it?

A.—There is nothing said in the Court Fees Act about applications for mutations.

Q.—Are you empowered by executive order to exempt from a stamp duty?

A.—We have no authority to do that; only the Government of India can exempt from stamp duties

Q.—You did pass an executive order which cancelled the stamp duty formerly levied.

A.—I suppose so.

Q.—You say that the general administration staff has been reduced owing to the land revenue staff having been relieved of Excise and Income-tax work.

A.—The Excise Deputy Collector has now become Excise Superintendent and the Income-tax Deputy Collector has become Income-tax Officer. The land revenue staff has, therefore, been reduced.

Q.—You have not reduced the number of districts?

A.—No.

Q.—Did Excise, Income-tax and Local Self-Government take up a considerable proportion of the Collector's time?

A.—Local Self-Government still does.

Q.—How?

A.—Though the Collector is no longer the Chairman of the District Board, he is still the controlling officer of the District, Local and Union Boards. Where he had only one District Board, he has now 300 Union Boards and he

has to sanction budgets in 300 cases instead of in one. There is certainly an increase in work

Q.—Is he the controlling officer?

A.—Yes; all the letters in connection with municipal work also come to him He has some statutory powers of intervention in some cases, though Commissioners have the powers of sanction.

The Maharajadhiraja Bahadur of Burdwan *Q*—Being a member of the Board of Revenue, you know that you have a large number of Court of Wards estates under you. Suppose death duties were possible in Bengal; would you not find that in whatever shape the death duties might be levied, the majority of these estates would go into the hands of moneylenders?

A—That would depend on the percentage charged. The present death duty is the probate duty.

Q.—But it is not compulsory.

A—It is compulsory in all cases of administration or of probate; we collect that duty.

Q—Suppose the death duty were a combined probate, succession and death duties?

A.—The probate duty is now 3 per cent. If you make it 30 per cent. most of these estates will have to go

The President *Q*—Actually at present you collect the probate duty on quite a number of estates?

A—Yes, we do, but it is nothing comparable to the estates that change hands on succession.

Q.—The estates of Hindus under the permanent settlement do pay the probate duty under present conditions?

A.—Yes, on probates of wills.

Q.—Has it come to your notice that it cannot be paid without borrowing?

A.—Yes, even where an heir has been left a lot of money in a bank, the money for paying the probate duty has to be borrowed. The bank may lend any sum required for payment of the duty and when he gets the probate or letters of administration, he can draw the money and repay.

The Maharajadhiraja Bahadur of Burdwan. *Q.*—Your probate duty is now 3 per cent In a number of estates under the Court of Wards, you know what their income is, what revenue they pay and what surplus they have. If there was a death duty of, say, 3 to 10 per cent, do you think a number of estates in Bengal would change hands?

A.—Yes, as most of the estates are heavily embarrassed. I can only think of one or two which are solvent and will not suffer much. Every one of the other estates would suffer.

The President *Q.*—What do you attribute that embarrassment to?

A.—I suppose it is because they lived on their unearned income, never earned anything themselves and spent a great deal more than what they earned.

Dr. Paranjpye. *Q.*—I suppose you have under your charge estates even of majors handed over to the Court of Wards, because the estates were heavily embarrassed and by proper and economic management these encumbered estates were cleared of their debts in many cases.

A—Yes, we have many instances of that.

Q.—Can you tell us what might be the maximum amount of embarrassment which an estate can possibly get rid of by careful management, say, in ten years? Would you recommend that an estate whose annual income is three lakhs of rupees should be taken over by the Court of Wards if it had a debt of ten lakhs?

A.—I think so.

Q.—If it had a debt of 20 lakhs of rupees?

A.—Yes, by selling a part of the estate.

has to sanction budgets in 300 cases instead of in one. There is certainly an increase in work.

Q.—Is he the controlling officer?

A.—Yes, all the letters in connection with municipal work also come to him He has some statutory powers of intervention in some cases, though Commissioners have the powers of sanction.

The Maharajadhiraja Bahadur of Burdwan *Q.*—Being a member of the Board of Revenue, you know that you have a large number of Court of Wards estates under you Suppose death duties were possible in Bengal; would you not find that in whatever shape the death duties might be levied, the majority of these estates would go into the hands of moneylenders?

A.—That would depend on the percentage charged. The present death duty is the probate duty.

Q.—But it is not compulsory

A.—It is compulsory in all cases of administration or of probate; we collect that duty

Q—Suppose the death duty were a combined probate, succession and death duties?

A.—The probate duty is now 3 per cent. If you make it 30 per cent. most of these estates will have to go

The President *Q*—Actually at present you collect the probate duty on quite a number of estates?

A—Yes, we do, but it is nothing comparable to the estates that change hands on succession.

Q—The estates of Hindus under the permanent settlement do pay the probate duty under present conditions?

A.—Yes, on probates of wills

Q.—Has it come to your notice that it cannot be paid without borrowing?

A—Yes, even where an heir has been left a lot of money in a bank, the money for paying the probate duty has to be borrowed The bank may lend any sum required for payment of the duty and when he gets the probate or letters of administration, he can draw the money and repay

The Maharajadhiraja Bahadur of Burdwan. *Q*—Your probate duty is now 3 per cent In a number of estates under the Court of Wards, you know what their income is, what revenue they pay and what surplus they have. If there was a death duty of, say, 3 to 10 per cent, do you think a number of estates in Bengal would change hands?

A.—Yes, as most of the estates are heavily embarrassed. I can only think of one or two which are solvent and will not suffer much. Every one of the other estates would suffer.

The President. *Q*—What do you attribute that embarrassment to?

A.—I suppose it is because they lived on their unearned income, never earned anything themselves and spent a great deal more than what they earned.

Dr. Paranjpye. *Q.*—I suppose you have under your charge estates even of majors handed over to the Court of Wards, because the estates were heavily embarrassed and by proper and economic management these encumbered estates were cleared of their debts in many cases.

A.—Yes, we have many instances of that.

Q—Can you tell us what might be the maximum amount of embarrassment which an estate can possibly get rid of by careful management, say, in ten years? Would you recommend that an estate whose annual income is three lakhs of rupees should be taken over by the Court of Wards if it had a debt of ten lakhs?

A.—I think so.

Q.—If it had a debt of 20 lakhs of rupees?

A.—Yes, by selling a part of the estate.

Q.—If the debt was 10 lakhs, you can reasonably take it under the Court of Wards and clear the debt within a short time?

A.—That would depend on the number of people you have to maintain

Q.—If the estate has an income of 3 lakhs and if you take 20 years' purchase as the value of the estate, the estate would be worth 60 lakhs. According to your experience, you would be able to clear the debt of 10 lakhs within a reasonable time

A.—That is so.

Q.—If instead of this encumbrance being caused by the extravagance of the late occupier and if instead of this 10 lakhs being a part of his encumbrances, a certain amount, say, 10 per cent. had been charged as death duty, would that be a heavy charge if the estate is properly managed?

A.—Certainly. During the management by the Court of Wards, the man has to live very economically and much below his usual standard.

Q—At any rate, if a charge of six lakhs, for instance, were made on this estate, it would be necessary for you to sell the estate even if you lived economically?

A—No.

Q—Assuming that the estate would ordinarily change hands within the course of 25 or 30 years only once, don't you think it would be possible to save a sum of six lakhs during that period?

A.—Yes, by levying a heavy charge on the owner of the property.

Q.—If he takes proper precautions to see that the estate is not encumbered by having to pay the heavy duties all at once, he would be able to make this sum.

A.—In an estate having an income of 3 lakhs, the man will be spending Rs 25,000 a month; when it comes under the Court of Wards, he won't be allowed more than Rs. 2,500 a month. The man who is used to spend Rs 25,000 a month has got to live on Rs. 2,500 and you propose to lower even this standard by one-tenth.

Q.—Even then he can accumulate six lakhs during the course of 30 years by lowering the standard, not to such an extent, but to a slight extent.

A.—Possibly, but the standard will certainly be lowered.

Sir Percy Thompson. *Q.*—Suppose you have an estate the capital value of which is one lakh of rupees and suppose it has a considerable amount of embarrassment. Would you charge it on the one lakh of rupees or deduct his debts?

A.—Certainly his debts ought to be deducted. It is the net amount that is taken into consideration in case of probate duty. The debts and the funeral expenses are the two items deducted and on the net value the successor has to pay the probate duty.

Mr. G. P. HOGG, I.C.S., Commissioner of Excise and Salt, Bengal, was next examined.

Written memorandum of Mr. Hogg.

Q. 50—I think that graduation is both feasible and desirable. So far as the cheaper Indian-made brands of spirit are concerned, this department has taken up the attitude that they cannot bear the same rate of duty as the more expensive imported brands With regard to wines, it would be a simple matter in Bengal to levy a higher license fee in respect of the more expensive, as we base our assessments on the actual monthly sales.

I can see no difficulty in assessing a tobacco duty on an *ad valorem* basis.

Q. 51.—I agree with the view expressed in this quotation that the tax on salt is an exceptionally convenient method of imposing a necessary share of the

burden of taxation on those classes who cannot otherwise be reached. This I consider to be its chief merit, but it has others which are hardly less important The tax is easily collected It bears but lightly on the individual, and it cannot be evaded The yield is considerable, and I am of opinion not only that the tax should be retained, but that Government should not hesitate to increase the rate of duty when financial necessity so requires

Q 52 —This question has been answered above I do not think that any other tax can be suggested possessing the peculiar merits of the tax on salt.

Q 53 —I do not think it possible to make comparisons with other countries. The real weight of a particular tax can be estimated only with reference to the wealth of the community and its distribution amongst individuals Conditions in India are so very different from those prevailing in other parts of the world that no useful comparison can be made.

Q 54 —I have no sufficient information on which to base an answer to this question

Q 55 —It seems to me that there is only one answer, and that in the affirmative This answer assumes, of course, that the monopoly would not be subsequently abused

Q 56 —This question seems to me to raise the whole problem of protection and of national self-support Political considerations are infinitely more important than fiscal in answering it, and therefore no adequate reply can be given on purely fiscal grounds If it were held to be a matter of importance that India should be self-supporting in the production of salt, then it would be perfectly fair to make the Bengal or any other consumer pay his share

Q. 57.—I do not know the nature of the process of sifting, but if it results in an increase in the traders' profit, it must presumably be justified by the increased value given to the salt. I see no reason why the public should not pay, if it wants finer quality.

Q. 58 —Under present conditions, I would not. It is a mistake to imagine that the mofussil villager is "done" every time he comes to the market. The measure used is immaterial, provided both seller and buyer are accustomed to it I do not think the time is ripe for the universal enforcement of a standard system of weights and measures.

Q 59 —I am on general grounds strongly opposed to Government trading, and specially so under existing conditions in India I do not believe that the cost of transport would be reduced. Retail prices might possibly be steadied, but the difficulties inherent in managing a series of Government depots would far outweigh any advantages arising therefrom.

Q. 60 —I have no sufficient technical knowledge to answer this question.

Q. 61 —I anticipate that there will be in the near future a considerable strengthening of the movement to stamp out the traffic in country spirit and hemp drugs Opium occupies a peculiar position, and I do not believe that public opinion will condemn its consumption within any time of which we need take account. With regard to country beers, such as *pachwai* and fermented *tari*, I do not think prohibition is possible Its enforcement in many areas in Bengal would require a standing army We need not, therefore, anticipate the disappearance of the whole Excise revenue In Bengal the loss resulting from the surrender of the revenue from country spirit and hemp drugs would be, in round figures, one crore and fifty lakhs

Q 62A —I am opposed on general grounds to the selection of any particular class of tax-payers to make up the loss of Excise revenue. Such suggestions are a violation of the fundamental principles which should govern our system.

Q. 62B.—I consider the Bombay idea of making up the loss by the imposition of a group of taxes of different kinds bearing on different points a much fairer and more feasible method. I do not, however, mean to imply that

I approve of the taxes suggested in Bombay For Bengal, the following might be considered —

(a) *Succession duty* —I am personally doubtful if any workable scheme can be devised

(b) *Surcharge on Road and Public Works Cess for Provincial purposes* —It is conceded that the whole proceeds of this cess should ordinarily be allotted to local bodies But if excise revenue is actually surrendered, the money must be found somewhere, and in the absence of better sources, the Road and Public Works Cess has distinct merits It is fair in its incidence, would be almost universally spread over the community, and it is easily collected by existing machinery

In 1922-23, Government contributions to District Boards amounted in round figures to 29 lakhs A surcharge of 50 per cent, on the rate would bring in 36 lakhs. If the Boards increased their own rate, the Government subscription of 29 lakhs could be saved Thus 65 lakhs could be secured from this source.

(c) *Tobacco Tax* —The main difficulty is to deal suitably with raw country tobacco, grown by villagers mainly for domestic use, and sometimes for sale in the local market My own view is briefly—

(i) that 'raw' tobacco should be excluded from taxation

(ii) that "manufactured" tobacco, which would require careful and progressive definition from time to time, be taxed, through control of tobacco factories.

(d) *Tax on Aerated waters* —These could easily be taxed through the "gas" used in manufacture in the case of small, and by a record of output in the case of large producers A levy of one anna per dozen bottles would yield probably three lakhs per annum in Bengal

(e) *Matches* —The chief difficulty here is that the home industry is in its infancy, and an excise duty would be a mistake I should, however, levy a heavy tax on imports Matches are used mainly by smokers, and may really be classed in the category of "luxuries"

(f) *Tax on Kerosene* —This has many merits. It can be easily collected Its incidence would be on the whole equitable, and it would be productive. Substitutes are not satisfactory, although they do exist, and therefore the tax could not be regarded as oppressive to those on the margin of subsistence.

(g) *Toilet articles and Patent Medicines* —I am doubtful if these would be productive, and worth the trouble of collecting.

(h) *Petrol tax* —This tax has many merits and in spite of its defects I would approve of its introduction, with suitable rebates for commercial users

Q 63 —I agree in general with the statements made therein as to Excise. Whether it is the uniform practice of European Governments to derive from liquor and tobacco the largest revenue possible is a broad statement of fact which I am not in a position to admit or deny. I believe, however, it is correct With regard to the last question, I am of opinion that no useful practical purpose is served by such a meticulous analysis of the incidence of taxation on liquor although I admit that the illustration is useful in so far as it elucidates a valuable general principle.

Q. 64.—I think the system in Bengal is as good as it reasonably can be, and I doubt if we could raise much more money on the existing scale of consumption But I have always felt that the dictum "*minimum* of consumption with a maximum of revenue" is not an adequate statement of policy. As between consumption and revenue, it expresses a valuable connection, but only *relatively* It affords no guide as to the absolute *minimum* of consumption, or the absolute maximum of revenue which the State is prepared to collect. For every given level of consumption, there is a maximum revenue obtainable and *vice versâ*. But as to what the levels ought to be the principle gives no clue whatever. The criticism is, therefore, not without some force that Government is making it more difficult every year

to replace an excise revenue which on the whole is increasing. It seems to me that if it be really conceded that the aim of Government is to effect a steady reduction in the consumption of country spirit and hemp drugs, then one of the first steps should be to fix the maximum amount of revenue which Government require from these sources, and then to press down consumption to the corresponding minimum level. As new sources of revenue are secured, or old sources yield increased amounts, the excise revenue would be correspondingly reduced, and consumption further diminished The position at present is that as consumption goes up, Government increases its estimates of revenue, and it then becomes more difficult to carry measures likely to affect budget expectations I need not elaborate the argument at length, but I think that Government might express its policy in more definite terms—*absolute* rather than *relative* in character—on the assumption that future development in India will be steadily in the direction of reducing the consumption of excisable articles.

Q 65—The duty on country spirit is fixed with reference to the economic condition of people in different parts of the country. I am not prepared to give an absolute answer to the question whether any particular rate is too high or too low I see no particular merit in uniformity. Where good reasons exist for variation, then the only opposing factor that need be considered is the complication or confusion of accounts and figures.

Q 66—It has not been our experience in Bengal that illicit production has increased unduly

Q 67—I do not think that locally-made imitations of imported liquors can bear the same rate of taxation They are cheaper productions altogether, and are consumed by the poor classes who cannot afford the more expensive brands It is obvious, therefore, that they cannot bear the same rate of taxation unless the burden is to press unfairly on the consumers concerned.

Q. 68.—It is not practically possible to allow Local Governments to impose supplementary duties on foreign liquors without the concurrence of the Government of India It needs no argument to prove that if two authorities are permitted to snatch at the same source of revenue, it is possible that neither will get anything at all, and certain that both will get less than they think they are entitled to.

Q. 69—This department has adopted the view that where issues take place from a bonded warehouse, duty (whether the same in both provinces or not) can be credited to the province of consumption In other cases, there is no practicable method of adjusting the matter unless we are to interfere with the private trader and his customers to an extent which would be intolerable

Q 70—The tree-tax is in force in this province in the districts where *tari* is extensively consumed and it will soon be extended to the remaining important *tari*-consuming areas. The shops are sold by auction every year and there is no reason to suppose that we do not get full value. I am, therefore, of opinion that *tari* is taxed adequately.

Q 71.—No general answer can be given to this question, as everything depends upon the object which the taxing authority may have in view. Excisable articles enjoy a varying popularity in different areas, and the rate of duty must be assessed in accordance with local conditions in the light of the policy which may animate the authorities concerned.

Q. 72.—The system of wholesale supply is satisfactory.

Q. 73.—Our system is, I think, satisfactory.

Q 74.—There is no monopoly value in any of the licenses in Bengal If restrictions in number result in an increase in business in the remaining shops, then the department gets the advantage through increased license-fees. The exception to this might be the large retail vendors of foreign liquors in Calcutta. Many of these firms are of very old standing, and the good-will of their business must be considerable To what extent that item arises from monopoly is doubtful, and I presume in any event that the case

of foreign liquor vendors is exceptional. So far as country liquor, hemp drugs and opium are concerned, there is no monopoly value in Bengal.

Q 75—The duty per seer is not quite the same thing as the total incidence per seer. Much depends upon the system on which license fees are collected, and to secure uniformity in the latter would be a formidable task. I can see no particular merit in uniformity, and would be satisfied to concentrate on the question of retail price.

Q 76.—I am not acquainted with any system of employing salaried persons for the retail sale of opium Under the fixed fee system as it is operated in Bengal, the vendors are in a sense Government employees remunerated on a sliding scale We secure all the advantages of private and personal management, and at the same time a direct share in the increased profit arising from a larger turn-over

Q. 77.—I do not think any special steps are necessary at present for the control of illicit trade. Inter-provincial smuggling is a matter for both cultivating and consuming provinces, and I can see no reason why both should not take the necessary steps to the fullest extent within their power. There is no reason at present why the Government of India should be invited to help in the solution of this problem.

Q 166—I would not recommend any further extension of the monopoly system. As I pointed out in my answer to question No. 76, Government shares in the increasing value of a retail shop, but at the same time, is relieved from any responsibility for management

With regard to *pachwai* and *tari*, individual effort in production and distribution is absolutely essential These articles are not suited for unified handling or control on a large scale, or over a wide area

The question of public " trusts " to manage excise shops on a limited or non-profit basis to secure ulterior subjects probably does not arise here. But I am inclined to think that in a place like Calcutta an experiment on these lines might be useful

Q 169—Although I had not a long experience of the older regime, and therefore speak with reserve, I think there has been a decided increase in efficiency Control is more direct and constant, and the organisation being more manageable in size, greater attention can be paid to smaller but nevertheless important details

No useful results would accrue from a combination of excise and customs services The respective spheres of action are distinct and well-defined, and any change would merely cause complications without any corresponding advantage.

Note on the present system of cultivation and supply of *Ganja* in Bengal.

Ganja is grown in Bengal by ordinary cultivators who hold land within a defined area at Naogaon in the district of Rajshahi known as the *ganja mahal.* The total area to be cultivated each year is fixed by Government, with regard to the probable consumption and the necessity of holding reserve stocks of fresh *ganja* sufficient to carry the department over a bad season This means that each year more must be grown than is likely to be consumed. Broadly speaking, 4,000 maunds is the annual off-take, but it is necessary to produce between 5,500 and 6,000 maunds. It is important to note that the reserve stock itself must be replaced each year, as *ganja* over a year old rapidly loses its narcotic power.

ing the more noticeable inequalities, without, at the same time, creating discontent.

3 The growers themselves are entirely responsible for cultivation. The land is their own, and the expenses of weeding and irrigation are borne by them The growers have been organised into a Co-operative Society. Government as well as the consumers deal with the society and not with the individual growers. The society hires out pumps, and advances money against the crop. But it has nothing whatever to do with the land or its cultivation.

4 The society directly participates only after the crop is cut. It builds central *chatars* (yards) to which the growers transport the crop for manufacture. Thence it is taken to the central warehouse at Naogaon, all expenses of manufacture and transport being borne by the individual grower. At Naogaon, the *ganja* is graded and thereafter the cultivators' direct connection with it ceases.

5. The society, having thus taken over the crop at the central warehouse, then despatches consignments as required to the Government warehouses throughout Bengal. These warehouses are in the charge of Government Excise Officers. The society supplies packing materials, pays for transport and maintains at each warehouse a clerk to look after its interests. The licensed retail vendors obtain issues from the warehouses after payment of duty and cost price into the local treasury.

6. Sales to the contractors or agents of other provinces are made ex-godown at Naogaon, the cost of transport. etc., being borne by the purchasers In Bengal, as already stated, transport and warehouse charges are borne by the society, which explains the difference of Rs 15 in price inside and outside Bengal respectively

7. Such being the system, the fixing of prices is governed by the following controlling factors —

(a) The " off-take ",—or consumption—is always less than the production, and the price per maund must be sufficient to pay for (b) and (c) and (d). The surplus crop is kept in reserve, and, if not required, is destroyed when it is replaced by fresh stock of later growth.

(b) The society pays for the excise staff deputed temporarily to Naogaon during the cultivation season This charge amounts to about Rs 31,000 per annum.

(c) The society must purchase from the growers all that they produce, at so much per maund

(d) The society must cover its own working expenses, build up reserves and, in addition, finance the social activities it has undertaken.

The principal social activities of the society are as follows:—

(i) Charitable grants of varying amount from year to year.

(ii) Grant to three dispensaries at Rs. 2,500 each per annum.

(iii) Grants for primary and secondary education. These vary from year to year between Rs. 10,000 and Rs 15,000

(iv) Veterinary charges—Rs. 2,000 approximately.

(v) Grants for improvement of roads and tanks in the *ganja mahals*. These vary from year to year.

Some of the above grants are practically fixed annual recurring charges, while others are made according to requirements and funds available.

While Government are fully alive to the necessity of strict control of expenditure of this kind, it is considered undesirable to prohibit the society entirely from developing the more beneficial features of co-operation. The society is, however, required to keep the expenditure under social activities within the limits of such reasonable profit as it is entitled to make and not so as to unduly inflate the sale price or affect the Government revenue This point of view is always fully considered before the society's annual budget is approved.

8. During the past two seasons, the department has been endeavouring to introduce some principle into the method of fixing prices The rapid and

apparently arbitrary increase between the years 1920 and 1922 attracted adverse criticism, and it was obvious that some definite price basis should be found. The latest estimates show that Rs 150 may be taken to be the total cost to the cultivator per *bigha*, on an outturn of 3 maunds, delivered at the central warehouse. The price paid by the society to the cultivator had in previous years approximated to the equivalent of Rs 300 per *bigha* and it was decided to make a beginning by establishing rates on that basis This figure was taken because [illegible] could not object
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9. It will be observed that the hope of arriving ultimately at a fair commercial price depends upon the following considerations —

(a) Reduction of the area cultivated to the lowest limit consistent with safety and maintenance of reserve stocks The uneconomic surplus production for which the grower has to be paid would thereby be reduced to a minimum.

(b) Close scrutiny of the society's budget, to check any tendency towards extravagance.

(c) Further enquiry into the cost of cultivation and the net profits of the growers.

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before and again he demands an increase It would appear, therefore, that so far as Government is concerned, it can look only to the price received by the grower per *bigha* His expenses are determined mainly by the area ploughed, weeded and irrigated Manufacture and transport are slightly more expensive if the crop is heavy, but this increase in cost bears but a small proportion to the total On the whole, therefore, area is the more equitable basis for estimating costs Further, it is a known quantity, budgetting is simplified, and a stable position can be maintained from year to year Nor can the growers reasonably complain, when they get a price based on a fixed rate per *bigha*, irrespective of season or outturn

11 It should be explained, however, that the society does not pay the [illegible] good husbandry thus
ood outturn receives
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inds he has obtained
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12 *The position at present is that the rate has been temporarily stabilised* on the basis of Rs. 300 per *bigha*, pending further examination of the problem The price equations now are —

(1) As between Government and the society—

(Area × 300) *plus* (Expenses of society, etc ,) = Consumption in maunds × price per maund paid by retailers to society).

(2) As between society and growers —

(Area × 300) = (Total production in maunds × price per maund paid by society to growers)

13. It will thus appear that the crux of the problem lies in the determination, first, of the area to be cultivated, and, secondly, of a fair rate per *bigha*.

Seasonal variations, on which the grower usually bases his complaints, are eliminated from the question of price, when the latter is decided in the manner shown

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Mr. Hogg gave oral evidence as follows :—

The President. Q.—You say that graduation in indirect taxation is both feasible and desirable?

A.—Yes, I think so The cheaper Indian-made brands of spirit—especially the cheaper spirits that are manufactured in Bengal—cannot bear the same rate of duty as foreign liquor might bear.

Q.—The locally-made foreign liquor should have a special rate of duty?

A.—Yes; less than the duty to which the foreign liquor is subject when it enters India. At present the duty is the same.

Q.—The present policy was adopted on the recommendation of the Excise Committee in 1906, which confined the definition of country spirit to plain spirit with no colouring or flavouring, and imposed the tariff rate on everything else

A.—Yes.

Q.—And now the tariff rate has so largely been increased?

A.—Yes The rate has been raised to such a level that I do not think the Indian-made liquor can stand it

Q.—Then you will have three grades of spirit?

A.—Yes; country spirit, Indian-made foreign liquor and overseas foreign liquor.

Q.—Under what class of license would you sell the Indian-made foreign liquor?

A.—The same as for foreign liquor shops.

Q.—And would you include Bombay spiced spirits?

A.—Yes I would put them on the same footing as Indian-made flavoured spirits

Q.—Then there is another class of spirit which is largely imported into parts of India and that is spirit made from toddy known as Colombo arrack. Would you put that in the same category?

A.—I think so, rather than have it competing with country spirit, though I have no experience of it.

Q.—The net result of this proposal would be, I take it, to increase the consumption of this locally-made foreign liquor at the expense of imported spirit?

A.—I am not sure about that, because this Indian-made spirit is consumed by classes who cannot afford to pay for imported spirits. It is consumed by people who want foreign liquor but cannot pay for the higher grades that are imported. My point is that we ought not to undertake to raise the duty to whatever level the Government of India raise the tariff rate. But there is no reason to suppose that people are either giving up Indian-made foreign liquor or beginning to drink it more than before

Q.—Your view on this matter is not influenced by the fact that the duty in the one case goes to your Government and in the other it goes to the Government of India?

A.—No, not at all. On the other hand we lose if the duty is lowered and the consumption does not increase to make it up. Our policy is not an increase in consumption If we saw that consumption was increasing, we could then consider the desirability of raising the rate.

Q.—I am thinking of the shifting of consumption from liquor of the highest grade to the liquor of the lower grade.

A.—You mean from imported liquor to Indian-made foreign liquor and from Indian-made foreign liquor to country spirit?

Q.—Yes.

A.—Then we should have to adjust duties between the three in such a way that we would not be actually encouraging the consumption of liquor.

Q.—Is it not complicated by the fact that the one class of excise duty goes to the Government of India and the other to the Local Government?

A.—Yes; it is. The locally-made foreign liquor pays duty at the tariff rate and we always increase the rate when the Government of India increases its tariff rate

Dr. Paranjpye. *Q.*—What was the question between you and the Government of Bombay as regards the rates?

A.—That was a question of spirit used in medicinal preparations.

Q.—And you charge Rs 5 for that?

A.—Yes, that is done simply to secure a supply of cheap medicines That is the primary object in reducing the rate of Rs 5

The President. *Q*—You lowered the rate much below the tariff rate?

A.—Yes

Q.—What are these medicines?

A—A great many are the tinctures that are sold in the chemists' shops.

Q.—Are they potable?

A.—No, they are not. We would not allow anything to be on the list as a medicine which could be used as a beverage. We now insist in Bengal on the B. P. specification being followed with regard to the spirit content

Q.—Can't you filter out the medicinal contents and so get the potable spirit?

A.—I do not know if it could be done very easily. I think it would require a very skilled chemist to do a thing like that, and I doubt whether it would be worth his while to do it

Q—Do you give any concession with regard to spirits used for perfumery?

A.—We have taken up the attitude that such preparations are luxuries and there is no particular reason why we should give the spirit for these things at the reduced rates Our present intention is to exclude these from the five rupee rate of duty. Bombay, I believe, allows these preparations to go in at the five rupee rate and also allows its manufacturers to make essences for aerated waters. I believe they use spirit issued at the concession rate to make those essences. But our opinion in Bengal is that the spirit used for these preparations should not be given at the concession rate.

Q.—Do you remember an occasion some years ago when one of your districts drank 60 thousand bottles of Eau de Cologne?

A.—I cannot remember that.

Q.—I was only mentioning that as illustrating the danger of issuing these at cheaper rates.

A—Yes, we have five bonded laboratories in Bengal and they use a good deal of spirits, running into thousands of proof gallons

Q—Is there not a danger that it will pass into consumption?

A—I do not think so It is generally put up in small bottles which are sold in chemists' shops at a comparatively very high price

Q.—Comparatively low price when you consider the strength of the spirit?

A.—Yes; but we have no reason to suppose that anything illicit is taking place.

Q—Have you compared the quantity of these tinctures and the quantity of them that paid duty in the Custom House previously?

A.—No. I have not made any comparison In any case it would be very difficult to make a comparison because the use of these medicines seems to be steadily increasing for other reasons. Of course, this concession has done much damage to the import trade in tinctures.

Q—May we come back to the question of *Indian-made foreign liquors?* Supposing that you had them excised at a lower rate, would you place them under the same restrictions in respect of passes as imported liquor?

A—I should place them on the same footing as the ordinary imported liquor. I do not see how one could make a distinction between the Indian-made and the imported liquor. Any attempt to make a distinction would cause administrative difficulties and intense friction with the public.

Q—Supposing another province maintained the tariff rate and you had a lower rate, would you not get into difficulties?

A—That is one of the problems we are trying to solve now. The only solution of these interprovincial difficulties will be to have an uniform rate by agreement I would not propose to have any rate in Bengal other than the prevailing rate in India I think we could have an uniform rate by agreement between provinces.

Q.—One solution that has been suggested is that you should stick to the tariff rate and that the whole should go to the Government of India, because it is a very small matter really and the amount of trouble and difficulty it causes is quite out of proportion to the amount of money.

A.—Yes, there is, as a matter of fact, practically nothing in it as between the provinces. The amount of money involved is not worth all the correspondence that is taking place

Dr. Paranjpye *Q*—Do you think that the rate on country-made foreign liquors should be fixed by the Central Government?

A—I would have no objection to the duty going to the Government of India if the accompanying arrangements for giving us other revenues are satisfactory That would be purely a matter of a *quid pro quo*, and I think it would, as a matter of fact, save us a tremendous lot of trouble and worry. It would be a very good solution of the difficulty if the Government of India would take the whole duty on Indian-made foreign liquor.

The President *Q*—Is not there another cause of friction arising out of your licensing system which practically has the effect of charging a provincial duty on imported liquor?

A—That is so. We have in Bengal a license fee levied according to the volume of sales in each shop. If we pushed up that fee to any substantial figure, it would be an additional tax. It is hard to draw a line between fee and tax Now we charge two annas a bottle without regard to the kind of liquor.

Q—And that handicaps the retail dealer as compared with the wholesale dealer?

A.—The wholesale dealer is only allowed to sell to a licensed dealer. He has no right to sell to the public unless he takes a separate license to sell to the public. Licensees to sell to the trade pay a fixed fee and they are allowed to sell only to other licensed dealers They must have another license for sale to the public and on that they would pay two annas a bottle One man may have both kinds of license.

Q—That is for sales in Bengal?

A.—We take the fee only in respect of sales to customers in Bengal. But we are not satisfied with that arrangement and I have at present a proposal under discussion to levy the fee in respect of sales to customers outside Bengal as well I see no reason why we should not have that fee. We have taken up the attitude that duty belongs to the province of consumption but license fee appertains entirely to the province of location. It is a fee for the right of sale in a particular place and it does not matter to whom the sale is made. We ought to get the fee

Q—Although the license fee is practically an enhancement of duty?

A.—Yes. It is an additional charge and you can call it an enhancement of duty.

Q—In other words, Bengal has a right to take a transit duty on foreign liquors?

A.—That is another way of putting it. But we base it on this ground. The licensed premises are in Bengal. We have to go and see that the premises are suitable. We have to inspect and supervise them and see that the stocks are properly kept and looked after; and our license fee is partly a remuneration for all that trouble and incidentally it is a source of revenue.

Q.—Two annas a bottle would be rather a generous remuneration for the services rendered.

A.—If you levy the license fee it must be paid in respect of the premises and the only authority who can collect it is the local authority.

Q.—You cannot refer us to any such system out of India Normally the license fee is nominal.

A.—Yes. I think that is so. In other countries the fee does not depend upon the volume of sales

Q.—Do you consider that India should be self-supporting in respect of salt?

A.—Not if it is going to cost too much

Q.—During the war there was a very serious situation.

A.—I do not anticipate a war in the immediate future

Q.—The machinery that was opened to supply the demand has all been scrapped and the men who invested their money in it have lost.

A.—These arguments are rather political in character I see no particular necessity on fiscal grounds From the point of view of policy it is a matter for politicians to decide.

Dr. Paranjpye *Q.*—Do you agree that there is a demand for salt manufacture in Bengal itself?

A.—I cannot say that I have come across any indications to show that people want salt manufactured here What I have seen is that villagers in the saline tracts would like to collect salt for their own use We have a very attenuated staff and yet we practically never come across any serious case of illicit manufacture of salt

The President. *Q.*—Was it killed by Government policy?

A.—I am inclined to think that the result of the consistent policy of Government has practically been to wipe out all tendency to manufacture salt on the coast and the cheapness of the imported salt has also made it not worth while to manufacture salt.

Q.—They were allowed to manufacture salt during the war, is it not?

A.—Yes.

Dr. Paranjpye *Q.*—What bounty would they require to continue to manufacture salt? Will an additional protective duty help?

A.—I really cannot say what the result would be I believe the villagers in the saline areas would begin to manufacture at once if you gave them permission But they would do it for their own use

Sir Percy Thompson *Q.*—If you put on a fairly heavy import duty would it revive the Bengal industry? Would it be possible for them to keep out the Madras or Bombay salt?

A.—I do not think the position in Bengal is such that the salt industry would start again without a strong inducement which will make the industry commercially attractive

Q.—Would a customs duty prevent more salt coming from Madras and Bombay without any enhancement in price?

A.—I am not prepared to say that. If the Bombay and Madras salt manufacturers raised their prices as the duty went up, then of course the temptation to make salt here would increase Your assumption is that Bombay and Madras people would keep down prices inspite of the increase in the duty

Q.—They would have to sell it at the same price as at Madras.

A.—If the duty kept out any considerable quantity of foreign salt then prices would certainly go up When it is known that there will be greater demand all over the country, prices would naturally go up

Dr. Paranjpye. Q.—All over the country where foreign salt was entering?

A.—*Excluding the cost of carriage, prices would tend to be the same all over India.*

The President. Q.—Actually there has been no salt made within the limits of the present presidency of Bengal for a great many years.

A.—No salt has been made worth speaking of.

Q.—Are there not frequent thunder storms during the hot season?

A.—That is at the end of the cold weather. In the hot weather there is a long spell of dry weather. I had special reason to observe this when I had to maintain a special staff to detect cases of salt manufacture. The salt manufacturing season extended to four or five months.

Q.—Even in the hot weather don't you get a few thunder storms?

A.—Yes.

Q.—Duty is levied on the weight. But in certain parts salt is sold by measure, is it not?

A.—The customary rates will prevail, and the purchaser will know whether he is getting the same value as he used to get. In the long run the prices will tend to settle down to the actual value of salt. When I was answering this question I took it to be a matter of weights and measures. I was not aware of this process of sifting.

Q.—Is not the price determined by the ring which controls a particular market? We were told in the *golahs* that when there was a dispute in the ring the wholesale price fell from Rs 80 to Rs 60.

A.—I do not think that is so in the mofussil. In some cases a man will get his salt for nothing. When he purchases sufficient provisions in a shop he gets a handful of salt thrown in free of cost. The value of salt is so small that the shop keeper can afford to give it free.

Q.—It is remarkable that in some places it is four times the average price.

A.—That would be very exceptional.

Q.—You think that the only intoxicants other than alcohol likely to be prohibited are hemp drugs.

A.—With regard to opium there is a very distinct feeling throughout the Presidency in the mofussil as well as in our advisory committees that there ought to be certain number of opium shops. Some of our committees recommended the abolition of country spirit shops but have at the same time recommended more opium shops. That attitude prevails almost throughout Bengal.

Q.—That is the traditional attitude I think.

A.—I think so. The average mofussilite has an idea that opium is useful as a medicine and many old men in the villages have asked me to open shops. They don't mind what you do with the liquor shops.

Q.—The average public opinion would support that opinion?

A.—*Yes.*

Q.—I do not quite follow how the super-charge on Road and Public Works Cess would bring in 65 lakhs?

[illegible]

have done,

to step in.

annual conferences and have consistently refused to consider any increase.

Q. If the Board increases the levy, Government contribution should be stopped?

A.—*If they increase it to a sufficient level then I should stop the Government contributions. If these Boards don't put up the rates sufficiently high Government should resume its rights to the tax. My idea was that Government would not only save its 29 lakhs but also take 36 lakhs as additional cess.*

Q.—Would not the super-charge be 50 per cent by the local body?

A.—50 per cent by the local body and 50 per cent by the Government. I really meant that in the last resort the cess might be doubled and Government might cease its contribution.

Q.—Do you think the landlord and the cultivator would like it?

A.—I think in view of the method by which it is collected it would give no trouble.

Q.—Would it be more popular than the taxation of liquor?

A.—I do not think the vast majority of people who would have to pay, have any idea of what is collected out of liquor They would not say we would rather have liquor taxed than this

Q.—You have got to tell them before doing it

A.—It might have to be explained finally. If they understood that the cess was being collected for public purposes and realised that in fact it was very small, I think there would be no trouble in getting the money

Q.—Will they not resent it?

A.—It would be resented at first. In a few years they will be accustomed to the new rates and the new level of taxation would become settled

Sir Percy Thompson *Q.*—Is there not difficulty about doubling the cess?

A.—There is a legal difficulty

Q.—Will it not fall on the wrong shoulders? Why should the owner pay?

A.—He owns land there The tax might very reasonably fall on the people who own land in the district.

Q.—The landowner does not get the benefit of the expenditure.

A.—The land may increase in value and I do not see why the landlord should not pay his share.

Q.—He may be a non-resident

A.—I would not make that a reason for freeing a man from the tax

Q.—I do suggest that the people who pay should be the people who enjoy the benefits. In England the owner does not pay the rates

A.—It begins with the occupier It is the cultivator that pays the cess On paper part of it appears to fall on the owner. What the actual incidence is, I am not prepared to say. I think the incidence is distributed between the occupier and the various owners until you come to the zamindar. To work out the precise incidence would be a very difficult question I was thinking of the ultimate incidence.

Q.—Have you ever known a case where the zamindar has increased the rent on the ground that an assessment has been imposed?

A.—I have never known any one asking for an increased rent on this ground A good many zamindars do in fact levy illegal exactions from the tenant to which they are not entitled The total of such amounts might exceed the cess.

Q.—For the present a tax on manufactured tobacco would mean a tax on cigarettes?

A.—Cigarettes and possibly the finer forms of Indian tobacco used for *hookas*

Q.—Would it not be extraordinarily difficult to collect that?

A.—I believe that high grade tobacco of that type is made by several important firms. It may be that there will be serious objections to a tobacco tax. But it is suggested, as it is a fruitful source of revenue in other countries, and it would be a great pity to abandon it here without getting something out of it The only way of getting at it is to leave out what I call raw tobacco, to distinguish it from manufactured tobacco put up by European firms or in a manufactured Indian form Then I should tax manufactured tobacco as much as it would stand.

Q.—If one province alone were to tax it, would it not be unfair?

A.—The method by which you would levy the tax is another question. I am not certain whether it will have to be levied as an all-India tax. It might be necessary to levy it on an all-India basis. I was not concerned with the question whether it is to be appropriated by the Government of India or the Provincial Government. I am merely trying to indicate a source from which a certain amount could be made.

Q—We find a great many difficulties It is grown in scattered areas.

[illegible]

possession and license the dealers so that the cultivator would have to sell his tobacco either to the monopolist of his own area or to the monopolist of another area or to a licensed dealer or exporter The monopolist should buy his privilege by auction, he would help the excise staff to put down unauthorised sales

A—That would lead to much friction in the mofussil I do not see how you could stop the cultivator from selling his little surplus of tobacco to anyone in the neighbourhood. It would be a most oppressive thing to do it. A great deal of raw tobacco grown in little garden plots in the mofussil is consumed by the household and any small surplus is carried to a local market and simply sold under the trees. I do not see how you could interfere with that without running the risk of having a great deal of trouble and causing a great deal of resentment.

Q—Probably your monopolist would keep an eye on the local market and would buy it up

A—But by the time he resells it to the public there would be a very considerable addition to the price and it would be much simpler for the villager to get it direct The attempt to stop that would lead to endless trouble and friction.

Q—Was it not the position in the old days with excise?

A.—Save in exceptional areas, public sentiment is not against the excise staff But the reverse would hold with regard to tobacco. In the case of tobacco, you are interfering with a petty luxury of the villager who has not a great many indulgences The resentment would be very great.

The President *Q.*—Do you think there would be universal hostility as in the case of excise?

A.—I don't say there would be universal hostility, but there would be endless friction. In the matter of excise I don't say that you get a great deal of help from the people, but at any rate, there is not actually open hostility with regard to the control of liquor and drugs. The public have no objection to the control of liquor. They do not want free trade in liquor, but they would be very insistent on free trade in tobacco. Moreover the public is not interested at all in illicit liquor-selling. But in the case of tobacco practically everybody is interested. I cannot conceive any scheme which would not give rise to difficulty and friction.

Dr. Páranjpye. *Q.*—Not in the beginning, but the control would be tighter as time goes on.

A.—It may be so.

The President. *Q.*—But certain Indian States are already working the scheme and are getting a great deal of money.

A.—That may be. These may be exceptional cases.

Q—Then you say you would tax aerated waters, and a levy of one anna per dozen bottles would yield probably 3 lakhs of rupees per annum in Bengal.

A.—That is so I think we could get the money very easily. There are a great many people who drink aerated waters and there is no reason why you should not get at them. I don't think there will be any objection to it by the people. If they believe that the liquor trade is as bad as they say, then I think they ought to be willing to pay this tax.

Q.—Then you would tax matches?

A.—Yes.

Q —But you have already a heavy tax on imports?

A.—I do not know that I would simply make matches produce some revenue for the State. I would not object to an increase of the duties. I was not really thinking of all these items being appropriated by any particular authority; I was merely suggesting alternative sources of revenue by which money could be obtained, the distribution of revenue between the Imperial and Provincial Governments is another matter altogether

Q —Is not the smuggling of matches one of the difficulties of the Customs Department?

A.—I am not aware of that

Q.—How would you impose duties on locally-made matches?

A.—At the factories.

Q.—On the boxes?

A —I should impose a duty on the output, whatever the unit may be

Q —Is it not a cottage industry again?

A —There are a few places where matches are now made by a small number of people in the villages but there is a certain type of machinery required for it, and I do not see why every machine should not be registered and the output made the basis of excise duty Most of them are in the mofussil and I believe there are a few village people who have got a modern machine to do the work. They could be taxed or they could be prohibited from doing it

Q.—You would not like to tax patent medicines Is not the consumption very large?

A.—I do not know if there is a very big consumption of patent medicines in Bengal as a whole. It may be so only in Calcutta In the mofussil as far as I know there is no consumption of patent medicines worth taxing. I have been into many villages but I have never seen a bottle of patent medicine in any of the houses in a village.

The Hon'ble Sardar Jogendra Singh *Q* —Do you think these would find favour with the people—the taxes which you are proposing, taxes on aerated waters, matches and other things?

A.—I cannot answer this question off-hand In proposing these things for taxation, my object was merely to suggest certain sources of indirect taxa- [illegible], as money is in fact re- [illegible] e seemed to be the only [illegible] irse there are difficulties [illegible] you want money. The primary object is to get money

Q.—Is there any pronounced opinion on these things?

A.—I would not say that

Dr. Paranjpye *Q* —Is there an opinion in the country that the excise revenue must be abolished and consequently money must be obtained to replace it?

A.—Certainly. Apart from the question of temperance all the Governments want more money for necessary developments, and the money must be obtained for them in some way or other The articles I have suggested seemed to be the most suitable for indirect taxation

Q —This would mean a good deal of money, about 150 lakhs

A —Possibly, but taking Bengal it would be much less

The President *Q.*—Would you not require a larger excise staff to put down the illicit distillation?

A.—Only in certain areas. In a good many parts of Bengal, say Eastern Bengal where there is a very large Muhammadan population, the consumption of liquor is very small. In fact there is no demand for it.

Q.—I see in the Report about 618 cases of illicit distillation.

A.—It may be so. These cases are found in particular areas; but in the greater part of Bengal, for instance, Eastern Bengal, where there is a large Muhammadan population, you will have very little trouble. Of course in places like the tea gardens where there are large gatherings of coolies it is exceedingly difficult to deal with them. That is why I say you could not put down, for instance, the consumption of *pachwai*. It could not be stamped out without practically a standing army.

Q.—So long as you leave *pachwai* as at present, you would not be achieving anything in the way of temperance?

A.—I think so, but *pachwai* is regarded by some people as food; and it is so to some extent

Q.—Is there any medical evidence for it?

A.—I do not know.

Q.—Is it a fact that in *pachwai* the alcoholic element is fairly great?

A.—Before it is diluted it may be so. It is strong and therefore it is diluted 5 or 6 times. Then it goes down to a very low strength, something like 90 or 100 U. P.

Q.—Have you heard of any deaths from *nux vomica* or from *pachwai*?

A.—I have heard of some deaths from *nux vomica* put into *pachwai*. Sometimes it is put in as a thirst-provoking agent Very often the origin of the case of poisoning is not known We had some cases recently where we came to the conclusion that someone who wanted to harm the vendor had put some deleterious drug in the liquor.

Q.—Is there much *tari* drinking here?

A.—It is a direct product from the palm tree, and the fact is that you cannot prevent the consumption of *tari* unless you cut down all the trees.

Q.—Is not the effect of making spirit difficult to get to increase the consumption of *tari*?

A.—I suppose so.

Q.—Is it not a fact that the *tari* drunkard is much worse than the spirit drunkard?

A.—No I can't say that

Q.—Are you then going to achieve anything in the way of temperance?

A.—I do not say that. I am not arguing for stamping out the liquor trade, but I do say that there is a very strong feeling against it which we must recognise And if we extend local option in any way we would probably find a very substantial decrease in the number of spirit shops. I certainly think we have to face this in the immediate future.

Q.—You see no merit in uniformity?

A.—What I meant was that when there is every reason for a departure from uniformity I do not see any demerit in recognising this. It is perfectly reasonable and proper.

Q.—You have a tree tax?

A.—In certain areas where *tari* is consumed extensively we charge two rupees for date trees and three rupees for palm trees

Q.—Did it increase your revenue?

A.—We auction the shops at the same time and the revenue did increase. For that reason we have now a scheme to extend the system to other areas.

Q.—Has this led to a decrease in the number of trees tapped?

A.—I would not say it has done that.

Q.—In the case of opium you would not have uniformity. You are satisfied with concentrating on the question of retail price?

A.—I understood the question to mean as between the provinces.

Q.—Yes, but in every other country in the world there is uniformity in the duty charged?

A.—The total incidence depends upon the duty *plus* the license fee and we have all got different systems There is a variety of system of licensing and it would be very difficult to bring them into a uniform type.

Q.—When you have varying duties on articles that could be smuggled, is there not a temptation to the shopkeeper in one province to buy up large quantities and pass it on to a shopkeeper in another province?

A.—Yes.

Q.—Suppose a man has got two shops in two provinces, he buys his stuff in his own province at a lower rate of duty and then sends it on to the other province?

A.—He has to pay license fees; but still there may be a difference A man with two shops in different provinces might be able to work them to his profit in the manner suggested.

Q.—Is it not a fact that there has been lot of opium smuggling between the provinces in India and Burma? Has the retail price in this part of India been the same as the retail price in Burma?

A.—It all depends how much you get on your license system as well We actually fix the price and I suppose it is so in other provinces. The price fixed is sufficient to give the vendor his profit after he pays his duty and the license fee.

Q.—The retail price depends upon the shopkeeper? You don't think it is necessary to have any inter-provincial control over smuggling?

A.—I will not advocate any special steps beyond what we are doing now. I do not quite understand the point of the question I think we have got sufficient control over smuggling.

Q.—Do you take any interest in the matter of smuggling of opium from the Punjab to Burma? Is there anybody charged specially to prevent this?

A.—Our staff is simply charged with the duty of seizing any illicit opium, it does not matter what the possessor is doing with it, or to whom it belongs

Q.—But is there specially any officer to prevent this inter-provincial smuggling?

A—You mean there should be some method of getting information from the other provinces?

Q—You know an officer was put on special duty to organise the excise bureaus in various provinces and he organised these bureaus with the idea that the provinces would welcome some co-ordinating authority who would follow the smugglers from province to province, as the ordinary staff is not very much interested if a case crops up in the border so long as it does not affect their revenue?

A—I do not think that I could say that of our officers in Bengal Our staff is very particular in these matters If they get illicit opium on the border they would at once seize it

Q—The point is that if it did not affect their revenue they won't do that

A—I cannot say that there are any cases of that kind

Q.—Suppose your rate of duty on opium is much lower than in Burma and one of your licensees passed some of his opium into Burma paying duty to you, you would secure an increase of revenue, would you be particularly interested to save Burma?

A—Certainly if our staff suspected that any one was attempting to get our excise opium from our shops into Burma, the man would be run in at once.

Q—My point is that you would not be particularly interested in looking out for such cases—cases which do not affect your revenue or administration

A—I do not think our staff takes the slightest interest in the destination of the duty. They simply go out for every case wherever it is and whoever is interested They only want the case. I won't say they are influenced by any motive in these cases That is not the attitude adopted in Bengal, at any rate.

Q.—Are your officers acquainted with the names of the persons who do this smuggling?

A.—That is a very difficult question to answer. As a matter of fact we have some experts in our department who do this detective work and who have acquired a good deal of knowledge about the illicit opium trade and I can assert that they *do* deal with the cases whether the stuff is going to Burma or Assam, and they *do* detect such cases without question. They are not influenced by any such motive

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Professor ROHINI MOHON CHAUDHURY, Professor of Economics University of Calcutta, was next examined.

Written memorandum of Professor Chaudhury.

In this memorandum I desire to offer some criticisms to the attempt of Mr. Shirras in estimating the *per capita* National income of India. It is indeed true that the author of the 'Science of Public Finance' realises the immense difficulties that beset such an attempt but it is also true that he does not throughly realise the consequences that might follow from his conclusions if they are erroneous and give an exaggerated idea of income. There is a popular notion in the country that there is appalling poverty, that the national income is extremely inadequate even at the present low standard of living and there is consequently underfeeding which is devitalising the people. In contrast to this notion there is the official notion that the country is economically progressing every year and the income of the people is increasing and their standard of living rising. It is difficult to judge off-hand which of these two views is correct because the answer involves an unbiassed examination of facts relating to the economic condition of the people The question therefore arises—have we the necessary data upon which we can form an estimate of the income of the people of the country?

The national income of a country is the sum total of commodities and services which its labour and capital acting on its natural resources produce annually. This is the gross national income or dividend. To get the idea of net national income, we must deduct from it a certain amount to keep the capital of the country in a state of progressive efficiency. The people of a country are engaged in various industries, trade professions and other occupations The value of the output of different industries, the profits of trade, the remunerations of professions and services constitute the money income of a nation The determination of national income would involve an elaborate census of production. Such an operation will be costly no doubt, but it would, if accomplished, give us an accurate index of the economic position of the country and would perhaps dispel many fallacies and errors which we find in press and platform.

Attempts have been made with the available statistics to estimate the national income of India and deduce from it the *per capita* income. I will first of all take the value of *per capita* income. The *per capita* income cannot serve as an index of the capacity of a country to bear the burden of taxation. Its utility in estimating the incidence of taxation is negligible. The idea that we derive by dividing the total revenue of a state by the total number of people is useless in that it does not convey any impression of the intensity of the burden of taxation borne by different classes of people. The distribution of the burden of taxation depends not on the *per capita* income but on the capacity of those who are in a position to bear it. In other words, the question of taxation relates more to the distribution of wealth than to *per capita* income. Much misconception has in recent years centered round this *per capita* income It is one thing to suggest that the income of a particular class is so low that it cannot pay any tax but it is quite another thing to suggest on the plea of *per capita* income that the whole country is unable to pay any tax.

Apart from noting any change in the economic position of a country between two periods and the facility it affords for instituting a comparison between two countries as to their relative economic strength, the *per capita* income has no other use. What appears to me more important is the determination of the distribution of income and here we have to calculate the incomes of the different classes of people according to their principal occupations. Among the industries of India agriculture by far is the most important as no less than three-fourths of the people derive their subsistence from this industry alone and consequently the determination of agricultural income attracts our attention first

Mr. Shirras, lately Director of Statistics, has utilised almost all the statistical information to estimate the agricultural income of India and his labours and earnestness certainly command our respect and admiration But the Taxation Enquiry Committee will certainly be misled if they place too much reliance upon it. According to Mr. Shirras, the *per capita* income of India is Rs 116 and the *per capita* income of the agriculturists is Rs 97 These figures when placed by the side of Naoraji's figure of Rs 20, and Lord Curzon's figure of Rs 30 appear to be serious overestimation

It is, therefore, necessary that we should examine his figures and also the method of his calculation General criticisms on the accuracy of agricultural statistics of India have been noted by the Committee in the questionnaire and I will only add my experience of Bengal in the compilation of such figures. There is no reliable village staff in Bengal as in other provinces and the information about area and outturn is supplied by illiterate village chowkidars to local thana officers. These chowkidars hardly take any trouble to ascertain accurate figures of sowing as there is hardly any agency to check these figures The district officers also without scrutinising these figures in their placid indifference forward them to proper authorities for compilation The figures of Bengal are consequently more or less conjectures Apart from this general criticism I would attack Mr Shirras' calculation upon the following points In the first place, Mr Shirras takes two years 1920-21 and 1921-22, the former a bad year for agriculture and the latter a fairly good year and estimates the incomes of these two years with the object of showing the maximum and the minimum taxable capacity of the people In my opinion this does not appear to be a good index, for prices of agricultural produce are so variable year after year and the outturn so uncertain that the average of a series of years would have been the best index of average income

In the second place, there appears to be an element of double counting in some of the items. For instance, straw, fodder and milk have been counted separately. Straw and fodder are a part of the cost of production of milk and consequently included in its price Again a part of straw and fodder is consumed by plough cattle and this part ought to be regarded as a part of the cost of the maintenance of agricultural capital Either they should not be included at all or if they be included at all they should be included into item No 3, seed and manure (p 148, Science of Public Finance) The result of this will be that the surplus will be reduced by 114 9 lakhs in one case and by 144,27 lakhs in the other. There is also an objection in the case of hides. Hides and skins, so far as they are the outcome of dead cattle do not come within the purview of agricultural income, because the owners of dead cattle do not sell hides

I now take the question of prices at which the values of commodities have been calculated. Mr Shirras takes the average of provincial wholesale prices. It is doubtless true that wholesale prices are more uniform, easily available and consequently have been utilised in constructing index numbers to indicate variations in the purchasing power of money But in computing agricultural income the harvest prices apear to be the best standard because in the first place the bulk of the surplus produce is sold at this price and secondly they will eliminate the profits of middlemen and the costs of transport To compute the agricultural income at the wholesale price and then enter separate big items for trade and transport cannot escape double counting The difference in the

wholesale and harvest prices will be manifest from the following figures for Bengal:—

—	Average annual wholesale price. (Figures taken from "Prices and Wages in India," 1923.)	Harvest price (Prices taken from Agricultural Statistics, 1921-22.)
	1920	1920.
	Rs.	Rs A. P.
Rice	7 581	6 8 0
Wheat	7 812	5 12 0
Gram	7	5 3 0
Linseed	12 917	8 0 0
Mustard	9 887	8 8 0
Sugar (raw)	11·217	9 7 0
Jute	8	6 0 0

I propose here to calculate the agricultural income of Bengal according to wholesale and harvest prices with a view to indicate the difference in results. In the absence of more reliable figures, I have to rely on the figures collected by the Department of Statistics.

*Agricultural income of Bengal.**

—	Area (Acres)	Outturn (in '000 tons)	Harvest price (in '000 Rs)	Wholesale price ('000 Rs)
Rice	20,883,800	8,210	1,45,27,13	1,67,43,83
Wheat	116,900	31	48,57	65,89
Barley	96,000	29	30,65	30,41
Jowar	4,100	1	1,26	1,09
Bajra	2,900	1	1,09	1,09
Millet	6,600	36	3,96	3,96
Maize	83,900	28	32,13	34,02
Gram	161,500	44	62,19	93,52
	(Mds)	(Mds)		
Other food grains	1,085,700	1,085,700	5,00,00	5,50,00
Linseed	126,300	16	34,88	56,14
Sesamum	199,200	34	96,96	1,15,81
Rape and Mustard	881,700	153	4,05,38	4,87,37
Condiments and Spices	142,900	..	28,58	31,43
Sugarcane	218,800	255	6,35,78	7,78,24
		(Bales)		
Cotton	523,000	21,000	26,89	25,60
		(Bales)		
Jute	2,169,200	5,247,000	15,35,70	20,47,60
Other Fibres	78,700	26	43,09	50,28
		(Tons.)		
Indigo	9,700	700	6,50	8,66
		(lbs.)		
Tea	172,500	71,696,000	4,03,29	4,48,10
		(Mds.)		
Tobacco	258,100	3,871,500	4,83,93	5,32,33
Fruits and Vegetables	660,200	..	10,00,00	10,00,00
Milk	..	..	19,00,00	19,00,00
TOTAL	..	..	2,18,26,42	2 50,05,37

*For shortness of time I have not been able to take the average of a number of years but have confined myself to the figures for 1920-21.

According to the above calculation, the gross agricultural income of Bengal is 218 crores if we take the harvest price and 250 crores if we take the whole-sale price. Now if 22 crores be deducted for seed, manure and replacement of livestock we get a net income of 196 crores for the population dependent on agriculture. According to the census of 1921, the total population of Bengal is 47 millions of which 77 per cent are dependent on agriculture, the net [illegible] income consequently works out at Rs. 57½ [illegible]
This figure is not far from what Mr Nel[illegible] Rajshahi in his settlement report of th[illegible] produce of that district has been estimated and valued as follows.—*

—	Yield (Mds in '000)	Price per Md (Rs)	Value ('000 Rs.)
Rice	17,186	3	5,15,58
Wheat and Barley	37	5	1,85
Pulses	9,27	5	46,35
Oilseeds	2,60	8	20,80
Sugarcane			18,00
Ganja*	8,000	80	6,40
Vegetables, Spices and Miscellaneous			18,00
Fruit trees			20,00
Bamboo and Thatching Grass			30,00
Jute	1,370	8	1,09,60
TOTAL			7,95,58

The above figures according to him give Rs 53 per head on the total population of one and a half million and Rs 73 per head of the *cultivating* population excluding labours. Now the income which Mr Nelson has calculated is gross income and if 10 per cent of the gross income be set apart for seed, manure and replacement of livestock and agricultural implements, the net *per capita* income of the district of Rajshahi works out at nearly Rs. 60 Very nearly the same idea of the economic condition of the peasantry of Bengal can be got from the census report of Bengal "According to the agricultural statistics published for 1919-20, there are 2,449,000 acres of land under cultivation in British territory in Bengal and the number of actual workers in cultivation, ordinary cultivators, farm servants, field labourers and growers of special products in British Bengal is 11,060,629. This means only 2·215 acres per worker. It is in such figures as these that the explanation of the poverty of the cultivator lies. The cultivation of less than 2½ acres of land cannot employ a man for more than a comparatively small number of days in the year"

The condition of the agriculturists of Bengal can thus be imagined from the fact that a family of five on an average has to be *maintained* with the produce of a little more than 6 bighas of land. The produce of such a holding

*Vide Settlement Report of Rajshahi, pp. 19-20.

is valued at not more than Rs. 150 in a jute district and not more than Rs. 120 in a rice district. It is out of this income that a large number of people have to meet not merely their physical wants but also to pay rent and other direct and indirect taxes. Consequently it is no surprise that the standard of living of the peasants should be low and a large majority of them should be under chronic indebtedness. There has not been any direct enquiry into the family budgets of the peasants of this province except the one carried on by Mr Jack in connection with the district of Faridpur. Mr. Jack calculated that an expenditure of Rs 48 per head is a decent standard for the agricultural population of that district If one were to judge impartially one would certainly hold that the standard of living as laid down by Mr. Jack is the minimum standard, for it included no item for necessaries for efficiency nor any for educational expenses which are essential for efficiency. However, according to that standard the expenditure per head ought to be Rs. 77 if we make allowance for the rise in prices I am constrained, therefore, to draw the conclusion that so far as the economic condition of the Bengal peasantry is concerned, their average income falls far short of their expenditure and consequently there is hardly any scope for imposing any tax on them. This [illegible]

The fact that the agriculturists cannot be taxed does not mean that no agricultural income can be taxed. In this province owing to the permanent settlement the State demand for revenue has been fixed in perpetuity. This [illegible] ...crement in rentals [illegible] Besides that, the [illegible] ...n the increase and [illegible] ...s to be no justifica- [illegible] The fact that the income from land is not subject to income-tax may be regarded as one of the reasons which induce the middle class to invest their savings in land. It is really a positive hardship to find that when a man converts his savings into interest bearing bonds he is subjected to income-tax but when the same savings are invested in landed estates no tax is to be paid. There are no definite statistics as to the total rent realised by landlords and rent-receivers as the settlement reports are not yet complete. The census report of Bengal [illegible] 13½ crores and pay [illegible] ...ree-fourths of this [illegible] 1,000, the Govern- [illegible] detriment to the interests of tenants This increased revenue may be utilised in gradually abolishing the excise revenue which from the point of view of an Indian is more or less tainted money.

I now proceed to offer some constructive suggestions for the compilation of agricultural statistics in this province. Every district in Bengal is divided into a number of circles for the purpose of village watch and local sanitation. These circles are divided into a number of panchayats The collecting and the President panchayat who are in touch with local conditions can be usefully employed in collecting statistics. But some safeguards must be instituted to check the figures supplied by the panchayat. The circle officers may be entrusted with the task of checking these figures during their round in villages. In supplying the figures of sowing the panchayats may be required to fill up forms with the names of individual peasants and the amount of their sowings [illegible] ...lly. This will, [illegible] ...uties properly. [illegible] than the pro- [illegible] districts may be found to be widely different. The average of five years may be regarded

as the normal yield and the departure from the normal yield may be ascertained by the "anna estimate" as at present and here of course observation will be the chief guide The standard yield derived from crop-cutting experiments by the Department of Agriculture is the result of thorough cultivation and cannot be applied to the method of cultivation in vogue at present. It can at best be regarded as the ideal rather than the actual.

Professor Chaudhury gave oral evidence as follows :—

The President. Q.—You have sent us two memoranda, the latter of which, I am sorry to say, was not received in time to be circulated among the members of the Committee. The first memorandum mostly deals with matters to be dealt with by the Economic Enquiry Committee and has accordingly been transferred to them

Towards the end of your first note you advocate taxation of rent; in your second note you say you would not tax the actual farmer

A.—Yes, I would not

Sir Percy Thompson Q—Would you differentiate rents from other forms of agricultural income?

A.—Certainly.

Q.—Is not part of the cultivator's profit really rent?

A—Yes

Q.—Would you not tax it?

A.—So far as the farmers in other provinces are concerned, Government takes away from them almost half of the economic rent, about the other half my idea is that farming is carried on such a small scale that it yields no appreciable taxable income

Q—But you propose to tax rents Are there not a large number of persons in this country who are in receipt of quite small rents?

A—Very big cultivators are rare in this country

Q.—I am not speaking of cultivators at all Are there not a number of persons (not cultivators) who are in receipt of small rents, intermediaries or small holders?

A.—Their income ought to be taxed.

Q.—Is it worth while to do so if there are a very large number of them and the actual incomes are small?

A—There must be an exemption limit

Q—My point is that you would have to review the income-tax position of a very large number of persons in order to collect the tax from a very few of them The question is whether it is worth while to do so

A—So far as the rent-receiver's income is concerned, it can be taxed, but the farmer's income cannot be taxed

Q.—It is perfectly true that it can be taxed but would the yield be sufficient to justify all the trouble and expense that would be involved?

A.—So far as Bengal is concerned I think the yield would be considerable

Q.—You cannot charge income-tax in Bengal only and exclude the other provinces

A.—In other provinces the demand of land revenue is adjusted after a period of years, but so far as Bengal is concerned it is fixed in perpetuity and consequently I am inclined to think that the unearned increment in Bengal should be taxed

Q.—I think it is very difficult to differentiate the rent which is paid in Bengal from the rent which is paid in any other province, the mere fact that in the one case land revenue is fixed and in the other it is not, does not seem to be relevant

A.—In Bengal it is appropriated by landlords and rent-receivers, while in other provinces a portion of it goes to Government.

Q.—But a portion of it goes to the Government in Bengal also.

A.—Only a very small portion The zamindars used to pay 90 per cent. of the rental to Government at the time of the permanent settlement, but now only 20 per cent of the rental goes to the Government and the remaining 80 per cent to the zamindars' pockets

Q.—On the other hand, it is equally true that in other provinces the pitch of the land revenue is falling and has fallen

A.—In other provinces it is adjusted according to the variation in the level of prices.

Q.—I mean the actual pitch of land revenue. In most cases I believe they take approximately 50 per cent. of the net assets; they used to take much more than that

A.—50 per cent is a fairly high percentage.

The Hon'ble Sardar Jogendra Singh—Before the Saharanpur Rules came into being, they used to take a higher percentage, 60 or 70.

Sir Percy Thompson *Q.*—You say you would charge income-tax, which is a general tax and ordinarily would be of general application; and would apply that in Bengal to rents on the ground that the amount of land revenue paid under the permanent settlement is very small.

A.—It is extremely anomalous to find that the landlord's income escapes taxation As I have pointed out in my memorandum, it is very hard to find that when a man converts his savings into interest-bearing bonds he has to pay income-tax, but when the same savings are invested in landed estates he escapes taxation altogether

Q.—It does not matter, because the land would be free from income-tax when it is sold out

A.—You refer to capitalization of exemption That argument may be put forward by an ordinary shareholder of a railway company. For example, when a railway share is sold, it is sold on the basis of a certain income-tax rate, but as soon as there is a change in the rate, the holder of the share might put forward a similar argument

Q.—I do not think so, because the fact that income-tax goes up will not affect the value of a railway share for the reason that whatever the man invests in, he will be subject to income-tax.

A.—A portion will be deducted from that income as income-tax and this will reduce the net yield. If it is a railway company subject to income-tax, its income would be taxable at the rate of 18 pies in the rupee and suppose the rate of tax be increased to 2 annas, would it not lower the value of the share?

Q.—But supposing the rate of income-tax goes up, surely the value of a railway share will not be affected.

A.—I am inclined to think that the rate will have some influence on the value of the shares.

Q.—Why? Your proposition that the increase in the rate of income-tax generally depreciates securities cannot be said to be true in England where the rate went up from one to six shillings.

A.—The price of commodities also went up and profits increased. That counterbalanced any depreciation which might have resulted from the higher income-tax rate.

Q.—That would not affect fixed interest-bearing securities; did they depreciate?

A.—They did

Q.—Take the present price of 5 per cent War Loan; it stands above par.

A.—The rate of interest has now come down

Q—It has come down to what it was in 1919 But we are getting away from the subject

The President *Q*—I have been glancing through your second memorandum I see that you hold the view that no Government should taint its hands with the money received from the sale of intoxicating drugs and liquors Would you tell us what you would prohibit?

A—I would prohibit *ganja*, opium and liquors and even *tari*.

Q—*Pachuai?*

A—I do not know if it is largely consumed; in my part of Bengal neither *tari* nor *pachuai* is consumed

Q—We have just been examining the Excise Commissioner on the same subject, while he was prepared to put up a scheme for dealing with liquor and *ganja*, he said that public opinion would not be in favour of prohibiting opium and that as regards *tari* and *pachwai* it would be simply impossible. It would require an army

A.—So far as administrative difficulties are concerned, I am not prepared to express an opinion, but so far as the ideal is concerned, I am constrained to put forward before the Committee my humble opinion that no Government should taint its hands with the money received from the sale of intoxicants

Q—You are not prepared to say whether it is practicable to stop it?

A.—Perhaps there will be some increase in expenditure on the preventive staff, but I am not prepared to express an opinion.

Q.—You are not prepared to say whether any increase that can be made would be adequate to stop the total consumption of any intoxicant?

A—I think that it might be possible gradually to abolish this revenue by total prohibition

Q—In order to replace the two crores of revenue now obtained from excise, you propose to raise 75 lakhs of rupees by taxing the landlords and 125 lakhs from the export duty on jute What are the present receipts from jute?

A—A little over two crores of rupees

Q—The present receipts from jute (*viz.*, 2 crores) go to the Government of India You are going to get another 2 crores (75 lakhs from landlords and 125 lakhs from jute). Is this 125 lakhs to be in addition to the 2 crores which you say is already realized from the export duty on jute?

A—The present realization on account of the export duty on jute should be handed over to the Government of Bengal.

Q.—In other words, you say that the Government of India are to pay for the bulk of the cost of prohibition

A.—Prohibition will be an all-India measure as a matter of policy but different provinces will have to devise the ways and means to compensate for the loss of revenue.

Q.—You say you are going to take it from the Government of India.

A.—On principle I say that the export duty on jute legitimately belongs to the province of Bengal

Q.—But when you propose to dispense with 2 crores of revenue, is it not fair to suggest that a new revenue of 2 crores should be raised instead of shifting the existing revenue from one to the other?

A.—If Bengal can manage, what is the harm?

Dr. Paranjpye. *Q.*—You are only looking to Bengal as if it were the whole of India.

A.—Every province will have its discretion.

The President. *Q.*—The Government of India will give you your 125 lakhs, what are they to impose to replace that?

A.—I have suggested that the duties on imported articles should be increased. In future, the Central Government will have to rely more on customs and income-tax and they should be made elastic.

Q.—On whom will those duties fall in the main?

A.—On the people of this country.

Q.—On what classes? Who would pay the bulk of the import duties?

A.—Mainly agriculturists, because they consume largely cotton piece-goods, which yield about a quarter of the customs receipts.

Q.—Does not the European, for instance, pay a good deal of the customs duties?

A.—They are small in number.

Q.—But they do pay a good deal of the customs duties.

A.—They do pay.

Q.—Would you levy taxes on them to pay for prohibition?

A.—I would, because I propose a higher duty on motor cars. If they live in the country and are able to pay, why should I not tax them?

Q.—You propose to get 75 lakhs from the income of the landlords. What is the new tax going to be?

A.—A tax on the rent-receivers' income.

Q.—You propose to raise the duty on motor cars to 50 per cent?

A.—Yes, because the prices of motor cars have fallen a good deal

Q.—Don't you think that so large an increase might result in your getting less revenue rather than more?

A.—I do not think an increase will interfere with consumption as the prices have fallen

Q.—You propose an export duty on oil-seeds. Was not that proposal considered by the Fiscal Commission?

A.—Yes.

Q.—Their opinion was adverse to the duty.

A.—I do not agree with the findings of the Fiscal Commission in this respect. The Fiscal Commission discussed the question of a protective export duty but mine is a purely revenue duty.

Q.—You deal at some length with the division of the proceeds of taxation between the Central and Provincial Governments, so far, the main change you would make is to distribute income-tax partly On what basis would you make the distribution?

A.—I think some particular year should be made the standard and the excess over that should be distributed between the Government of India and some of the Provincial Governments, say, industrial and commercial provinces like Bombay and Bengal, because their requirements are greater.

Q.—You say that the needs of an industrial province in respect of education and sanitation are much greater than in purely rural areas. Why?

A.—Because the concentration of population in industrial provinces requires heavier expenditure on police or administration of justice.

Q.—I am speaking of education What is your justification for saying that the agriculturists should pay for the education of the townsmen?

A.—I do not mean to say that.

Q.—You say the man in the town must have a higher standard of education.

A.—Generally he has, and so the demand for education in towns and cities is greater than in the rural areas

Q.—Let us put it this way: would you agree that the rates of taxation for Imperial purposes should be the same in all provinces, or would you propose that one should pay a higher rate than another?

A.—The rate should be the same

Q—Would your distribution of income-tax be in the same way based on the amount earned in the different provinces?

A.—Yes

Q.—Would you in that case adopt central administration of the tax, but a division of the yield instead of separation of the sources?

A—Yes

Sir Percy Thompson *Q*—On what basis are you going to divide the yield?

A.—After you have fixed a particular standard, the excess should be divided. For example, in comparison with other provinces, Bombay makes the largest contribution to the Central Government's revenue, so it should get a larger share

Q—Up to a certain point, say, 4 or 5 years, the Central Government will get the yield, and after that if the yield is in excess of that sum, the excess should be divided.

A.—Yes, because the Central Government must have a sure source of income

Dr Paranjpye *Q*—It is practically the same as in the Meston Settlement Instead of a three pies' rate, you would have a six pies' rate.

A—No You must first of all get an idea of the total yield from each of the provinces and then you must fix a certain standard which must be agreed to by the different provinces. Anything over and above that should be divided between the Central and Provincial Governments.

Q—That is exactly the way in which income-tax is divided

A—But the standard which was fixed in 1919 or 1920 was a very high standard.

Q—At any rate the method is the same.

A—That is so

20th March 1925.

CALCUTTA.

PRESENT:

Sir CHARLES TODHUNTER, K C S.I., I.C S., *President*.

Sir BIJAY CHAND MAHTAB, G C.I.E., K.C.S I, I.O M, Maharajadhiraja Bahadur of Burdwan

Sir PERCY THOMPSON, K.B E., C B

The Hon'ble Sardar JOGENDRA SINGH.

Dr R P PARANJPYE.

Mr. A. K. JAMESON, I.C.S., Director of Land Records and Surveys, Bengal, was examined.

Written memorandum of Mr. Jameson.

Q. 97.—In only a very small proportion of the total area of Bengal does the cultivator pay land tax. Usually he pays rent to a private individual. In the permanently-settled estates, which constitute the bulk of Bengal, the land revenue payable by the proprietor is so small a proportion of his assets

that it can hardly be said to affect the amount of rent which he assesses on his tenants. These rents are in origin customary rents which have come down from before the time of the permanent settlement, and although they have been gradually increased since then, they are still far from being economic rents, and on the whole they form a small item in the cultivator's expenses. As stated by Jack on page 59 of his book, rent amounts to 10 per cent of the total expenditure of a family in comfort. The illegal exactions made by the zamindar himself and his underlings are in sum at least as important an item as the rent.

The prosperity of the cultivator must depend mainly on natural causes over which he has no control, such as the character of the monsoon rains, but there is no doubt that with better education he could take more advantage of improvements in agricultural methods such as those advocated in the pamphlets of the Agricultural Department, to which at present he pays no attention. Partly owing to lack of education and partly to inborn characteristics, he is wanting in energy and does not fully employ even the means of improvement of which he is aware, such as irrigation. The disproportionately heavy expenditure required by social customs is also a serious impediment, driving him, as it often does, into debt from which he is unable to extricate himself. Another is the system of land tenure with its minute holdings scattered in small plots over large areas; nothing in the way of really scientific farming will be possible until holdings become compact and of a reasonable size.

Q. 98.—(i) The permanent settlement probably did so when it was introduced, but owing to the rise in the value of land and extension of cultivation the assessment is now so moderate a proportion of the assets that it can be paid without difficulty.

(ii) There is certainty for the period of the settlement which varies from 15 to 30 years and the assurance that the next settlement will propose a revenue in excess of the previous one by a strictly limited amount. The revenue is fixed as a percentage of the total agricultural rent of the proprietor and that percentage does not vary; so if the proprietor knows what his rents amount to, he can easily calculate the revenue he will be called on to pay.

(iii) This appears to me to be absolute nonsense as far as Bengal is concerned. The rules enjoin that in fixing the time of payment in temporarily-settled estates the cultivator should be consulted, and as far as I am aware he suffers no inconvenience on this ground.

(iv) The percentage of collection charges is very much lower in Bengal, certainly not more than 10 per cent.

Q. 99.—I do not think that inequality is altogether unavoidable, but this would be the case in any system of taxation which could possibly be devised. The inequality due to basing revenue on prices for different periods is probably not great, because the difference in revenue is never exactly proportionate to the difference in prices, but is always much smaller. It is difficult to devise any alternative method for gauging the increased value which accrues to the proprietors of estates in which it is only fair that the State should share.

Q. 100.—Rs. 2,000 a year is absurdly high. As Jack shows in his book the average income for the highest class of the four into which he divides the Faridpur agriculturist is only Rs. 365 a year. But as stated in the answer to question No. 8, I do not think it possible to express an agriculturist's real income in terms of money at all.

Q. 101.—A tax on mutations is already levied by Government in those estates of which it is the proprietor, and which it manages direct and in private estates the proprietors make a similar levy. It does not seem to have had the slightest effect in checking fractionisation. In the former class of estates, Government refuses to recognise any transfers which have the result of reducing either the transferor's or the transferee's holding below a certain limit of size or rent, but this refusal does not appear to prevent such transfers taking place. I am not aware of any means by which fractionisation can be

stopped except a recognition on the part of the agriculturists that it is economically unsound The Indian peasant will require to be much more highly educated, and his social customs will have to lose a great deal of their binding force before this result is likely to accrue

Q. 104—(1) and (2) These methods are applicable only if the land revenue is paid direct to Government by the actual cultivator, and even so in (1) the division should be by the agricultural population and not the total population, much of which pays no land revenue at all. If the revenue is paid through holders of intermediate rights and they assess the rent on the cultivators, the incidence falls on these intermediaries in the first instance, and although it is passed on by them in the shape of rent, the incidence on the cultivator will vary unless the rent bears the same proportion to revenue in all the provinces To divide land revenue by total occupied area ignores the fact that the yield from similar areas varies in different provinces, and therefore the method takes no account of the relation of revenue to income by which alone the incidence is to be gauged The same objection applies also to (1)

(3) *It is impossible to secure uniformity of soil units over so large an area* as India and without this the method is useless

(4) This is possible only in a province where there are rents as district from revenue Where, as in some provinces, the cultivators pay direct to Government there are no rents.

(5) This would be an excellent method if anything like an accurate estimate of gross produce for a whole province could be obtained or an accurate calculation of the deductions which have to be made to arrive at the net produce The accuracy of the figures available for Bengal, whatever may be the case in other provinces, is open to considerable doubt, but even so this appears to be the only method available by which land revenue is brought into relation with income As figures for net produce are even more uncertain than those for gross produce, the latter should be adopted for purposes of comparison.

Q 120—(i) There is no doubt that theoretically this is an almost perfect form of tax, but I fear it would be intensely unpopular as is the existing chowkidari tax Jack has also, I think, underestimated the cost of assessment The enquiries which are summarised in his book were conducted in a single district by over 200 officers over a period of four years. It is true that they were not exclusively engaged on that work which was subsidiary to their main business of preparing a record-of-rights But the essential condition of his scheme is that the assessment should be made by highly educated officers in receipt of such pay as would put them above the temptation of accepting bribes to lower assessments, and that they should make themselves thoroughly acquainted with the economic condition of every family within their circle. To secure the former condition the agency would have to be permanent and in receipt of pay of not less than Rs 150 rising to Rs. 250 with a pension at the end. To secure the latter, it would be necessary to allot to each officer a comparatively small area, say, 100 square miles per year; if the assessment is to be for five years and the average area of a district is 3,000 square miles, that would require six officers per district or 150 for Bengal alone.

(*ii*) I agree that income-tax on agricultural incomes and succession duties are reasonable sources of taxation, though I fancy the latter would be extremely difficult to collect. The experience of tobacco monopolies in continental countries is not, I think, altogether in favour of them, and in India it would be extremely difficult to prevent infringement. The registration of marriages would probably be regarded as an interference with religion and would be difficult to enforce. A house tax in addition to an income-tax would probably be unfair. The import duty on motor cars is already so high that a tax on their use in addition would be most unfair. The number of horses and servants used purely for display is probably small. It would be impossible to prevent evasion of tax on such easily grown commodities as betel leaf and areca nut.

(*iii*) How is the amount of dowry to be ascertained?

(iv) A tax on advertisements would be very unequal in its incidence, as the value of the advertisement depends on so many different factors which are difficult to estimate. A tax on patent medicines is certainly justified and would yield a good deal in Bengal

(v) I am not in a position to criticise these except the proposal for a marriage tax which I have dealt with above.

(vi) Considering that an enormous proportion of the transport in Bengal is done by boat, this proposal would not yield much revenue and would also tend to diminish railway receipts, as people would take still more to water transport

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Mr. Jameson gave oral evidence as follows :—

The Maharajadhiraja Bahadur of Burdwan Q.—In answer to question No 97 you say 'In only a very small proportion of the total area of Bengal does the cultivator pay land tax'. I suppose you mean by 'cultivator' one who pays the tax direct to the Government?

A—Yes The bulk of the people pay rent to the landlord and not tax to the Government

Q—What do you mean by 'land tax' here?

A—Something paid direct to the Government.

The President. Q—You have not got the position here that they have in Bihar, where in some districts the estates have been broken up so much that you have got a large number of small holders each paying land revenue direct to the Government?

A—No.

Q.—Is Bengal mainly in the hands of large landlords?

A—Not very large landlords, but certainly bigger than raiyats.

Q—I gather that in Bihar they have some cases where a large portion of the district is divided into quite small lots each held by a small proprietor and elsewhere a few big landholders hold a very large portion of the district. The medium size estate is in a minority

A—This is not the case in Bengal Of course, the case of Chittagong may be somewhat similar to that of Bihar, there the average area of the permanently-settled estate is 5 acres That is the only district where this occurs. There, I suppose, the cultivator pays his land revenue direct He calls himself a zamindar and there is no intermediary

Dr Paranjpye Q.—Can you tell us generally your impression about the comparative prosperity of these small zamindar cultivators and of the small tenant cultivating a similar piece of land?

A—My impression is that they are quite fairly comfortably off, both the zamindar cultivator and the tenant cultivator. I do not think there is very much to distinguish them The class who in Chittagong call themselves proprietors are practically of the social and other status as the cultivating raiyats.

Q—Do you find any difference in the way in which they cultivate their land?

A.—No Because the raiyat is practically the proprietor in his land.

Q.—In the case of these zamindari tenants during the time of famine, etc., are they in the same position as the other raiyats in the matter of suspensions and remissions of land revenue?

A—I do not think there has been any famine in Chittagong and I do not think the question has ever arisen.

Q—Will not the small cultivators find difficulty in such times?

A.—There may be some difficulty in paying the revenue. But on the whole these bad seasons are so few in Bengal and I don't think that the cultivators are badly off in Bengal.

Q—During floods?

A—That may happen sometimes. But they have wonderful powers of recuperation.

Q—So far as the cultivation is concerned, would you advocate the policy of buying out the superior landlord and creating a class of peasant proprietors?

A—I am afraid I have not thought about that policy

The Maharajadhiraja Bahadur of Burduan. *Q*—In answer to question No 97 you say 'These rents are in origin customary rents which have come down from before the time of the permanent settlement and although they have been gradually increased since then, they are still far from being economic rents and on the whole they form a small item in the cultivator's expenses' What rents are you referring to?

A—The rents paid to the landlord.

Q.—Do you mean that the rents which the raiyat in a permanently-settled area pays to his immediate superior landlord, who in some cases will be a *patnidar*, are customary rents?

A—Yes

Q—And you consider that although they have been increased from time to time, they are still far below the economic rent?

A—Yes

Q—In other words, do you consider that from the raiyat upwards to the zamindar, none pays an economic rent?

A.—The rent paid by the cultivating raiyat whose holding has come down from before the permanent settlement or about that time is not an economic rent because we find that when he sublets any portion to an under-raiyat he can always realise twice, three times or five times the amount of his own rent easily. I know of some cases in some of the districts where the raiyat might be paying Rs. 2 an acre, but realising Rs. 12 or 15 an acre from the under-raiyat. The man above him, if he is an intermediary tenure holder who subsists on rents which he receives from the raiyat, takes a larger proportion from the raiyat than he has to pay to his superior landlord.

The President. *Q*—There is a rack-rent right at the bottom?

A—In some cases it reduces itself to rack-rent but in other cases it is not yet rack-rent

Sir Percy Thompson. *Q.*—If there are intermediaries between the raiyat and the zamindar, they might pay less rent than the actual cultivating raiyat?

A.—Yes

The President. *Q.*—Are not there actually cases in which there are as many as 42 sub-infeudations?

A—I think there is only one such case. That is very rare. That is found only in one district and it is due to historical reasons which are given in the final report.

Q.—Is not sub-infeudation a great evil?

A—Certainly. But I don't think it is a great evil over Bengal as a whole.

Q—Can you explain to us how all those 42 people came to be registered as tenants?

A—They appear in the settlement records.

Q—None of them is assessable to income-tax on his income?

A—No.

Sir Percy Thompson *Q.*—They are lease holders, are they not?

A.—Yes, they are really more lease holders than tenants, known, in the Bengal revenue term, as intermediary tenure holders.

The President. Q.—Right up to the bottom you have got customary rent which is less than the economic rent and it is divided by 42 people each of whom takes a small portion. How does it so happen?

A.—I really do not know. I fancy that all take a good deal of illegal exactions from the tenants. They actually make more than what the pure rent figure shows.

Sir Percy Thompson. Q.—The man at the bottom has to deal with the man immediately above him.

A.—Yes.

Q.—So he can be oppressed only by the man immediately above him.

A.—Yes.

Q.—How is sub-infeudation a great evil?

A.—It is not so taking Bengal as a whole. But it is undoubtedly so taking one or two places. Each man in the chain will try to take what he can and it leads to a great deal of illegal exactions.

Q.—If each man begins to take something more from the man immediately below, probably the rent which is paid by the last man amounts to economic rent.

A.—In some cases, yes. This is only true of a small portion of Bengal. This was mentioned in one of the final reports, that of Major Jack, which attracted an enormous amount of attraction. It is by no means typical of Bengal.

Dr. Paranjpye. Q.—Is there any tendency to reduce these intermediary holders by buying out the man above or below?

A.—No. I do not think there is any such tendency.

Sir Percy Thompson. Q.—Is there any attempt made to stop these illegal exactions?

A.—There are provisions in the Tenancy Act by which the person affected may complain to the Magistrate; but those provisions are, in practice, a dead letter.

Q.—Then practically your tenancy law is a dead letter?

A.—Yes, in respect of the illegal exactions. Of course, the illegal exactions are quite moderate in many parts and they are more or less stable. They will be annas 2 in a rupee of rent. But the tenant knows exactly how much he has got to pay.

The President. Q.—Can you give us an idea of a more typical case?

A.—I think you will have to read all the settlement reports that had been written. Perhaps a district like Mymensingh would be typical of East Bengal, Rajshahi of North Bengal and Midnapur of West Bengal.

Q.—Ordinarily what would be the number of intermediaries in a typical district?

A.—Over a large part of the district only one, in other parts two and occasionally three. There would be the proprietor, then perhaps a *patnidar* and below him the cultivating raiyat.

Q.—The cultivating raiyat would be paying money rent?

A.—Yes. Money rents are more common than produce rents.

The Maharajadhiraja Bahadur of Burdwan. Q.—Taking a typical case in Midnapur, you would have the superior landlord; then you have an intermediary and then the actual cultivator. The cultivator in nine cases out of ten is an occupancy raiyat. But the occupancy raiyat under your Tenancy Act can have under-raiyats—non-occupancy raiyats. Therefore, is it not more correct to say that you have four kinds of men—that is, the superior landlord, the tenure-holder, the occupancy raiyat and then the under-raiyat?

A.—Yes. But that is only in a minority of cases that you have the under-raiyat. But in certain areas you do have him. I can't say the proportion.

Dr. Paranjpye. Q.—The under-raiyat cannot create occupancy rights?

A.—No, he cannot But he may possess occupancy rights by custom. There are one or two districts (Jessore and Khulna) in which every grade of cultivator, from the tenant upwards, possesses occupancy rights by custom.

The Maharajadhiraja Bahadur of Burdwan *Q*.—Is it not a fact that in this part of Bengal there are more occupancy raiyats than in East Bengal in proportion to the total number of persons dependent on land?

A.—Yes, because there are not so many intermediary holders in East Bengal Even in East Bengal in certain districts only you have them

The President *Q*.—A great proportion of the cultivators in East Bengal are Muhammadans?

A.—Yes, because the bulk of the population is Muhammadan.

The Maharajadhiraja Bahadur of Burdwan *Q*.—In answer to question No 93 you say 'This appears to me to be absolute nonsense as far as Bengal is concerned' Is it not a fact that Government tenants pay less than the neighbouring zamindari tenant?

A.—It is the constant policy of the Government to fix a lower rate in their land than in the surrounding permanently-settled estates That is a definite rule

The President *Q*.—Although the rent in the estates is much below the economic rent? And there is no endeavour to exploit this sort of revenue to the utmost to make up deficiencies of the permanent settlement?

A.—No, not in the least There are strict rules against raising the rents even to the level of those in the surrounding estates.

Q.—Even in other respects—miscellaneous items such as revenue on town sites, there is no tendency to exploit the revenue to the utmost?

A.—No In fact the profits in respect of town sites made by the private people are enormous Government is losing the land revenue which it would have realised if it were agricultural land

The Maharajadhiraja Bahadur of Burdwan. *Q*.—Because it is within the permanently-settled estate?

A.—Yes But even in Government land, it is ridiculously low compared with that on agricultural land

Sir Percy Thompson. *Q*.—Is there any guarantee when they were given possession of the land that they would not be taxed?

A.—In some cases the site on which the town has grown up was more or less agricultural land in origin and the tenants were ordinary agricultural tenants

Q.—I understand the legal difficulty to raising the rent in permanently-settled areas, but that is not the case with respect to Government lands.

A.—If it comes under the Bengal Tenancy Act, Government property is bound by exactly the same rules as the permanently-settled estates.

Q.—Does that apply to the town lands?

A.—A great many town lands do come under the Tenancy Act

Dr. Paranjpye. *Q*.—We were told in the C P. that Government land was always let out by open auction.

A.—That is not the case here.

Q.—Is there any reason why it should not be done in this part of the country? When Government comes into possession of a new piece of land either on account of disafforestation or by selling up, is there any reason why it should not put that land to auction and get the largest amount?

The President.—That was the Government of India Order of 1895

A.—I do not know. There is very little land for disposal in Bengal.

The Maharajadhiraja Bahadur of Burdwan *Q*.—Suppose a zamindar defaults, does not Government put his land to auction?

A —Government puts it to auction and out of the money realised, it takes the amount of arrears due to it and the balance it hands over to the previous holder

Dr Paranjpye. *Q.*—But we were told yesterday that Government itself has got to buy up the land.

A.—Yes, occasionally But there would be tenants on it already and Government is bound by the limitations of the Tenancy Act in dealing with their rents

The President *Q*—We had a report by Mr. Thompson in which it is stated that there was a sale of 22,000 acres yielding a revenue of 3 lakhs and he gives numerous instances where rents could be increased.

A—That was Mr. Thompson's report about town sites

Q—My point is that if you exploit every avenue of increase, there would be a certain amount of money to be got.

A.—It is very, very little, because the cases of towns sites, dealt with in Mr. Thompson's report, in which Government could act are very limited.

Q.—May I take another point in connection with the cost of settlement? I see from the Retrenchment Committee's Report that Government bears a quarter of the cost, not as a matter of law but as a matter of grace

A—Yes

Q—Under your Act you can recover the whole?

A—Yes The theory is that Government itself derives a certain amount of benefit from the record that is prepared and it would be useful for administrative purposes The fact of the record being in existence diminishes disputes That is the theory on which Government pays a portion of the cost

Sir Percy Thompson *Q*—Settlement is also revaluation, is it not?

A.—That is an entirely different process It is a misnomer. In the case of the permanently-settled estates it is a preparation of the record-of-rights. You cannot alter the revenue

The President. *Q*—The purpose of the record-of-rights is to facilitate the settlement of disputes.

A.—To protect the tenant and let him know the rent he has to pay. The record is entirely out of date after thirty or forty years. I understand Government has not yet seriously considered the question of maintenance of the record

The Maharajadhiraja Bahadur of Burdwan *Q.*—The growing opposition to survey and settlement is so great that Government has not seriously considered whether to undertake revision or not

A—Talking with the late Revenue Secretary my impression is that Government had really no intention to consider the question at present.

The President *Q*—May I just ask what action was taken on the proposal of the Retrenchment Committee that five per cent alone should be borne by Government?

A—That was not agreed to. 25 per cent. is still borne In other respects Government gets something from stamps. Government used to take only three-fourth. Now they take the whole lot. That is the only difference.

Q.—They further say that the amount actually realised from the parties is somewhat more than 75 per cent.

A.—Yes, that is the case because it is difficult to calculate exactly beforehand. To be on the safe side the settlement officers overestimate a little so that the actual receipt is more than the actual cost.

Q—You already levy a tax on mutations?

A—25 per cent. of the purchase money

Q.—That is what is called *salami*?

A.—Yes. Those are Government orders But as a matter of fact it has been introduced comparatively recently and it has not been found possible

to carry it out in all cases. I know of Government estates in Midnapore and Chittagong where the opposition of the tenants to this levy was so strong that Government decided not to levy the charge

Q—You cannot prevent the splitting up of holdings?

A—It is not possible they will do it with or without permission. There is a rule in Government estates that no transfer will be recognised if it results in the balance of the transferor or transferee's rent being less than one rupee Yet the transfer is made for all practical purposes

Q—Then you should not recognise it

A—The transferee's name is simply joined and they are jointly made responsible for the undivided holding That is the legal position. Having occupancy right you can turn him out only on sufficient ground.

Q—Is there no condition in the lease?

A—When he uses land for agricultural purposes and pays rent he is practically irremovable

Q—Is there no provision regarding transfer here?

A—No the Act makes no provision about the transfer of land This is one of the defects which has to be rectified by the new Amending Act that is under consideration

Q—With regard to the fourth matter in question No. 104, you say that this is possible only in a province where there are rents as distinct from revenue You say it is not applicable to Bengal.

A.—That is the comparative incidence of the land revenue.

Q—We want to know if we can get the economic rents.

A.—In the U. P. where you have the raiyatwari settlement you can compare the percentage The rents are themselves assessments in those cases. Everything that the raiyat pays to the government is assessment of revenue.

Q.—In the U. P. the rent is fixed by the settlement officer?

A—It is paid direct to the government I understand

Q.—In raiyatwari area it is not rent; it is assessment.

A—Then you cannot compare rent with assessment.

Q—In a raiyatwari province the assessment even if it is normal is half the net produce and it is generally very much less than that. What we are trying to do is to find out samples in which lands have been let at competitive rents It will be great many times the assessment. We thought in Bengal you had no competitive rents.

A—Generally not; there is very small proportion.

Q—Can you find any considerable number of samples of competitive rents? That seems to be the only way of getting hold of economic rents.

A.—You can probably find a few samples in each district In the course of the settlement proceedings we record all rents actually paid and we can find out from these the competitive rents.

Sir Percy Thompson. *Q*—Can you generalise from that, because there would be good specimens and bad specimens.

A—Yes I was not quite sure from this question whether it meant pressure on the persons who actually pay revenue to government or pressure on the actual cultivator of the soil to whom the revenue assessment is eventually passed on.

Q.—What share does the Government take of the economic rent?

A.—In Bengal it is a very small share.

The Hon'ble Sardar Jogendra Singh. *Q*.—Is it ¼th share?

A.—The revenue which Government receives is ¼th of the total rental value.

The President. *Q*—You say chowkidari tax is intensely unpopular.

A—Yes It is partly because its incidence is very unfair. The assessment is left to a local panchayat which is open to all kinds of local influences

and the Panchayat generally assesses most heavily people who are least able to stand up against him

Q.—Is it not assessment by local panchayats that the politicians regard as ideal?

A —I suppose it is But it will be better to have a board. At present it is done by one man He is called panchayat; but he is really one man

Q —I thought the Collector nominated a board representative of all classes.

A —The Collector selects him

Q —How much is he paid?

A.—He gets 10 per cent. out of the collections

Q —It does not come in on either side of the account.

A —It is all expended for purely local needs Under the new Village Self-Government Act the position has been rather changed It is not purely a chowkidari tax any longer They are entitled to spend a part of their money on roads and things of that sort.

Q —How do they fix the amount they are going to assess?

A —I have not experience in that line.

Q —Is there no way of making it more popular?

A —If you have an impartial man not liable to local influences to assess the tax it would be much better. Mr Jack's idea is that you should divide the district up into small areas in each of which you would place one man who would stay there and make himself thoroughly acquainted with the conditions of the place and assess each particular family

Sir Percy Thompson. *Q* —It would be costly.

A —The average pay that you will have to give for such a man will be somewhere about Rs 150. Six such men will be required for each district.

The President *Q* —The chowkidari tax has been turned into a local tax on circumstances and property in these Unions.

A —I do not know much of the working of the Union Boards.

Q —In the Punjab they impose a tax on circumstances and property which is levied by way of a surcharge on the chowkidari tax. Is there an appeal against the decisions of the Collector?

A —I do not know I have not worked this system myself I know that it is unpopular

The Maharajadhiraja Bahadur of Burdwan. *Q* —When you say that agricultural income is a reasonable source of taxation, don't you think that in your province with the exception of the zamindars and possibly the *patnidars* you would not get anything from the farmers.

A.—If you maintain the present limit you may not get much.

Q.—Supposing the limit is lowered to Rs. 500 in the case of agricultural income even then in Bengal you may not get much?

A.—You can find quite a number of prosperous raiyats

Q —What number?

A —It is extremely difficult to estimate the real income of a man in terms of money when he has comparatively few money transactions at all. If you go on a purely money basis probably you would find comparatively few. That is why a person who goes and lives there and knows the general economic position of each family is required.

The President. *Q.*—Do you advocate that?

A —I think you would get larger revenue with fairer distribution

Q —Would you find uncorruptible men?

A —My experience is that the Settlement Kanungoes are a set of straightforward men They have got ample opportunities of making money during settlements but yet they are honest.

Q —Any set of men would have enormous temptation.

A.—I am afraid they would. Even supposing they take a little here and there I suppose the general incidence would be fairer than it is at present.

Q.—You say succession duties would be extremely difficult to collect?

A.—I mean the legal difficulty. I remember discussing this with a lawyer. He said that there were a great many difficulties in regard to the joint family system.

Q.—Do you think the registration of marriages would interfere with religion?

A.—It would.

Q.—It is already in force as regards Muhammadans in the Punjab and Bihar.

A.—They don't object to it. I was thinking of the Hindus. They are very nervous when anything interferes with their customs.

The Maharajadhiraja Bahadur of Burdwan. *Q.*—It is rather difficult in the villages to collect these things, is it not?

A.—You will have to provide the registration officers and it will be very difficult.

The President. *Q.*—It has been pressed on us by Indian non-officials and you oppose it.

A.—I thought they would object. I never thought they would advocate it.

Q.—You think that a tax on advertisements would be very unequal as the value of the advertisements depends upon different factors?

A.—It depends upon where you put your advertisement and in what paper.

Q.—You don't advertise where it would not be seen. After all it only consists in the affixing of a small revenue stamp and it will be very simple to collect.

A.—Yes, it is a very simple tax. But it would not bear any proportion to the value of the money spent on it.

Q.—You think that a tax on patent medicines would be justified and would be useful as the number is very large?

A.—I cannot say that, but the sale seems to be extremely large in Bengal.

Q.—You don't think that the produce tax suggested by Sir Ganga Ram would be workable?

A.—I do not see how it would be workable because transport is so very largely in boats in the whole of East Bengal.

The Hon'ble Sardar Jogendra Singh. *Q.*—Would it be equitable to tax only the surplus that goes out?

A.—I am afraid I am not an expert taxationist, and I do not know very much about taxation.

Q.—You say the rent amounts only to 10 per cent. of the total expenditure of a family in comfort.

A.—I got this figure from Jack's book.

Q.—How does he arrive at it?

A.—He prepared a series of domestic budgets by personal house to house enquiry and from the record-of-rights he ascertained the average amount of rent and worked out the figures.

Q.—Did he specify the area for which he worked it out?

A.—He took the total cultivated area, divided by the total population and that gave him the average area per head.

Q.—He has spoken about the particular district of Faridpur.

A.—Yes.

Q.—Then with regard to subletting of holdings, is it prevalent in Bengal?

A.—You mean subletting by the raiyat?

Q.—No, by the landlords and *patnidars?*

A.—Yes, the landlords as a rule sublet to an intermediate tenure-holder and they collect rent, and under him may come another intermediate tenure-holder who collects simply rents and pays the first man and below him comes the man who actually cultivates.

Q.—What would be the margin of profit for these subtenants?

A.—It varies in different parts in Bengal In making our settlement, we allow 20 per cent for the intermediate tenue-holder, 10 per cent. for the collection expenses and 10 per cent profit. That is what we allow in making our settlements

Q.—Are the subtenants very important in Bengal or are most of the lands cultivated by the raiyats themselves?

A.—A great proportion of them is cultivated either by the man who is legally defined as raiyat in the Tenancy Act or the man below him, but the intermediate tenure-holders cultivate very little themselves In some cases the proprietors would collect direct from the tenure-holders.

Dr Paranjpye *Q.*—Then the tenure-holders have no other profession than merely collection of rents?

A.—They do very little, at least a great majority of them are living upon this income

Q.—What amount of time is taken actually in the collection?

A.—Very little if any He has got a *gumasta* under him They are probably a very lazy class

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21st March 1925.

CALCUTTA.

PRESENT:

Sir CHARLES TODHUNTER, K.C.S.I., I.C.S., *President.*
Sir BIJAY CHAND MAHTAB, G.C.I.E., K.C.S.I., I.O.M., Maharajadhiraja Bahadur of Burdwan.
Sir PERCY THOMPSON, K.B.E., C.B.
The Hon'ble Sardar JOGENDRA SINGH.
Dr. R. P. PARANJPYE.

Sir ALEXANDER MURRAY, Kt., and Mr. KENNETH CAMPBELL, M.L.C., were examined on behalf of the Bengal Chamber of Commerce.

Written memorandum of the Bengal Chamber of Commerce

Q. 13.—As a general principle the Committee are of the opinion that it should be in exceptional circumstances and conditions only that the Government should establish and manage commercial or semi-commercial undertakings. They agree with Dr. Armitage Smith that "State production has a tendency to check private enterprise; it weakens competition, establishes routine systems, and discourages the introduction of new and more economic methods The invigorating stimulus of competition and personal interest seems to be essential for progress" When commercial undertakings are established and managed by the State the Committee consider that, as a general rule, a commercial return should be sought on the capital invested,

There may be instances where a bare return would be equitable, but they incline to the view that ordinarily a commercial return should be aimed at. If such undertakings are run at a monopoly profit the element of taxation would appear, that is to say if the articles in question are sold at an artificial monopoly price

Q 18—The Committee of the Chamber regard the dues in question as payments for services rendered

Qs. 23 and 25—The Committee agree with the statement in question No. 23; but as regards question No 25 they do not think that it would be feasible to make any distinction between the various classes of the population. Nor do they think that it would be right to do so In so far as calculating the burden of taxation is concerned they would deprecate any separation of the population into drinkers and non-drinkers or smokers and non-smokers

Q 24—Practical experience in Bengal of a tax on entertainments does not lead the Committee to recommend it They admit that it produces a fair revenue but so far as they can discover, this revenue is derived to a considerable extent from the owners of places of amusement, instead of from the general public Their view is that, altogether apart from any tax, the owners of places of amusement have gauged the extent to which the public will pay In other words they have been taught by experience that if they charge more than a certain figure for admission they will reduce the attendance Let it be supposed that the fee for admission is Rs 5. It may be assumed, the Committee think, that the proprietors of the place of amusement know that the public will not pay more than Rs. 5 An entertainment tax of, say *Re 1 is then imposed The proprietors are thereupon* faced with two alternatives they may either add the tax to the price of admission, with the result that the attendance will diminish, and the gross revenue will likewise diminish, or, in the alternative, they may leave the charge for admission unchanged and pay the tax themselves, in which case the gross revenue will also be reduced although the attendance may be maintained The object of the tax is to make the person who frequents amusements contribute to the public revenues, and to a certain extent it may do this But experience of it in Bengal suggests that it casts an undesirably heavy burden on the proprietors of places of amusement, inasmuch as they cannot pass it on, in its entirety, to the public As regards question No 95—where the tax is also referred to—the Committee would not advocate its extension They agree with the quotation in the question, namely, that the tax is a source of much vexation to those from whom it is collected; and they think that the increase of older taxes would be preferable.

Much that is said above in regard to the entertainments tax is applicable also to a tax on railway tickets. In the event of a tax being imposed on railway tickets great care would, therefore, have to be taken to ensure that the tax was within such limits as would not result in a drop in railway revenue.

Qs 27, 28 and 29—In answer to questions Nos. 27, 28 and 29, the Committee think it may be accepted that every member of the community should contribute to the public revenues, provided the taxation does not react on efficiency. It would seem to be very difficult to prescribe a test for exemption in a country such as India where the incidence of the tax might not be more than a few annas Taxes on the poor could hardly be other than indirect. Direct taxes on them would be very difficult, if not impossible, to collect, and would be intensely unpopular In the opinion of the Committee, taxation should be a condition precedent to representation.

Q 30—The Committee are not in favour of poll taxes.

Q 31—The Committee of the Chamber take the view that it would be unwise and undesirable to increase the rates of income-tax. Although the Indian rates may be lower than those which are now in force in the United Kingdom they are nevertheless high, and efforts should be made to reduce, rather than to increase, them Moreover, higher rates would certainly lead to even more evasion than is practised at present. Vigorous efforts are being made, it is understood, to check this evasion. All such efforts have

the support of the Chamber, and the Committee would deprecate making them more difficult by increasing the rates of tax

Q. 34.—The existing graduation scheme for income-tax is not considered by the Committee to be unsatisfactory, and they would not recommend any change being made in it under existing conditions

Qs. 35 and 36.—The Committee are disposed to answer questions Nos. 35 and 36 in the negative. They quite understand that the principle of differentiation, as between earned and unearned income, is generally recognised; and that allowances for wife, children and other dependants are in force in, for example, the United Kingdom But they do not think that the circumstances and conditions of India at present are such as to warrant any attempt being made in either of these two directions They would not advocate measures calculated to make income-tax more complex than it is at present.

Q 37—The Committee do not support the Indian super-tax on companies; indeed they are of the opinion that it is one of the first taxes which should be withdrawn as soon as financial conditions permit But in the existing financial situation they see no alternative to it, and they do not, therefore, press their objection, provided that the tax remains at the current rate, and that the reliefs which are now available are continued. It has been argued, as the question implies, that the Indian super-tax on companies is analogous to the English Corporation Profits Tax. In fact the Central Board of Revenue (Memo No 84-I of the 28th January 1921) have declared it to be "really a corporation tax" But there are nevertheless material differences between it and the English Corporation Profits Tax. Section 55 of the Indian Income-Tax Act of 1922 clearly lays down that, in respect of the total income of the previous year of any individual unregistered firm, Hindu undivided family, or company, there shall be levied "an additional duty of income-tax (in this Act referred to as super-tax)". There can be no question, therefore, that the legislature intended the tax to be an income-tax and not a corporation tax.

Q. 38—The Committee of the Chamber would not favour the withdrawal of the exemption of incomes derived from agriculture

Q. 40—The Committee are not without hope that the time is approaching when income-tax rates in India may be lowered rather than raised; and if this anticipation is realised it would be hardly equitable to reduce the exemption limit

Q 41—The Committee agree that the reproach referred to has been, or at any rate is being, to some extent removed by the introduction of the newly created centralised system of income-tax control. For many years they held the view that more efficient methods were required in the matter of the collection of income-tax; and they believe that these are now being introduced under the new centralised system

Q. 42.—To enforce the adoption of a standard form of trading accounts would be, the Committee fear, an impossibility in this country. Trade is carried on under such varied conditions, and traders are of so many races, that it would seem to be hopeless to expect the adoption of any general standard form

Q 43—Publication, although it may tend to diminish evasion, is not, the Committee think, desirable. It would be greatly resented in India, and would tend to make income-tax more unpopular than ever. The employment of non-official assessors and commissioners was previously suggested by the Chamber in a memorandum submitted in 1921 to the Bengal Income-Tax Committee. The following is quoted from the memorandum:—

> Appeals against assessments lie to the Commissioner, and the Chief Revenue authority is empowered to call for the record of any assessment proceedings and to pass orders upon it. There is no further right of appeal except, under certain restrictions, to the High Court with reference to the interpretation of any provision of the Act or Rules.

The Committee of the Chamber hold the view that the rights of appeal under the Act should be enlarged; and they urge that consideration should be given to a proposal for the appointment of a Board of Commissioners. In putting forward this proposal they have in mind the General Commissioners appointed under the provisions of the English Income-Tax Act of 1918, and earlier statutes. For each county division there is appointed a Board consisting of not fewer than three and—except at the instance of the Inland Revenue authorities—not more than seven non-officials. These are independent unpaid Commissioners, who are free from official control and to whom is entrusted the hearing and determining of appeals against assessments. Their decisions are final and cannot be altered except by order of the Court. It seems to the Committee of the Chamber that Boards of Commissioners, more or less corresponding to these might be established in India. It would not be perhaps desirable that they should supersede as an appellate authority, the officer who is now styled the Commissioner. But his orders should be appealable to the proposed Board of Commissioners whose decisions should have the same finality as attaches to the decisions of the Commissioners appointed under the English statutes. The proposal appears to the Committee to be eminently worthy of serious investigation and consideration and they trust that it may be adopted.

The Committee of the Chamber, although they put forward the proposal, recognise that it may be difficult in this country to obtain the services of suitable non-official Commissioners.

Q. 44.—The Committee hold no strong opinion on this point. They are disposed to think that income-tax free securities are liked by investors when rates of income-tax are expected to rise, but are not so attractive when income-tax rates are likely to fall.

Q. 45.—So far as public companies in Calcutta are concerned, it is the practice to deduct income-tax when payment of interest on bearer securities is made. The Committee see no reason why the same practice should not obtain in respect of interest coupons attached to Government bearer bonds.

Q. 46.—The Committee are of the opinion that, although certain concessions and adjustments are still being discussed, the existing arrangements are not unsatisfactory. They are not disposed to urge any great change, as they think that the income-tax authorities are generally willing to meet assessees reasonably as regards refunds.

Q. 47.—The Committee do not advocate assessment on the three years average, as is the practice in England. The Royal Commission on Income-Tax (1920) expressed the opinion that "the ideal basis for income-tax assessment would be the profits of the year for which the assessment is made." This system was brought into force in India by the Indian Income-Tax Act of 1918, the assessment on trading profits being made by means of an adjustment. The system was abandoned in 1921-22 on the ground that it gave trouble, that there was an absence of finality of assessment, and that there was delay in obtaining refunds. The Committee opposed the abandonment of the system, as they considered it to be, as the Royal Commission said it was, an ideal system. It was replaced by the present method of assessment on the previous year's income without adjustment, and although the Committee regard this as a less desirable method they would be opposed [illegible] like to see provision made for carry- [illegible] ey quote the following remarks from [illegible] to the Government of Bengal in [illegible] ch is now the Income-Tax Act of 1922:—

By clause 25 it is provided that where an assessee sustains a loss in any year, under any of the heads of income specified in section

6, he shall be entitled to have the amount of such loss set off against his income, profits, or gains, under any other head. In connection with this clause, the Chamber supports the recommendation that was made by the Bengal Income-Tax Committee, namely "that in the year in which it is incurred a business loss may be set off against a profit under another taxable head of income but that any loss carried forward to the next or subsequent years should be allowed to be set off only against the profit of the particular business from which the loss arose. The Committee think that allowance should be made for losses in this way for a period of three years only." It is the practice in the United Kingdom for losses to be brought into account either under the three years' average, or otherwise, and the Royal Commission in their Report recommend the retention of the principle of making provision for the loss on any year's trading being set off against the profits of succeeding years.

Q 49—Speaking generally the Committee do not favour the imposition of excise duties.

Q 50.—So far as the Committee understand this proposal, it does not seem to them to be impracticable.

Q 51—The Committee agree with this statement. If necessaries consumed by the poor are to be taxed, salt is, they think, a very suitable article to select

Q 52—The Committee think that the statement is correct. they are unable to suggest any commodity consumed by the poorest classes which is so suitable a subject for taxation as salt

Q. 53—The Committee are of the opinion that the present rate is reasonable.

Q. 56—In the opinion of the Committee such a protective duty would be unfair to the Bengal consumer.

Q 78—A tariff which is restricted to a few articles in common use, and in the nature of luxuries, would certainly be preferable to one extending over all imports But such a tariff could obviously raise only a limited revenue, and it would seem to be impracticable in India where a large revenue is required from the tariff

Q 79—The Committee have no personal knowledge of such cases, but their attention was directed recently to the question of the duty on copra, cocoanut oil, and pepper. The question is dealt with in the following extract from a letter from the Calicut, Cochin, and Tellicherry Chambers of Commerce to the Associated Chambers of Commerce of India and Ceylon.

> Import duty, which from 1916 onwards was charged on the above at the rate of 7½ per cent., was increased from 1921 to 11 per cent. and from 1922 to 15 per cent.
>
> We attach figures showing the revenue derived from the source of Bengal, Bombay, Sind and Burma from which it will be noted, as stated above, that the increased duty has resulted in a heavy fall in revenue. Madras figures are not included as these are negligible.
>
> The copra figures are very striking and you will note that imports from various ports have fallen from 24,722 tons in 1919-20 to 596 tons in 1923-24, so that revenue from duty has fallen from Rs. 5,67,772 to Rs. 34,672 in the same period, notwithstanding the increase in the rate of duty. The cocoanut oil and pepper figures are not quite so clear owing to the increase in the total imports, but it is obvious that the increase in duty has affected very adversely the importation of foreign oil. During the year

1919-20 and 1920-21, the total imports averaged 2,700,000 gallons whereas during the three subsequent years they increased almost to 5,000,000 gallons on the average Foreign importations during 1919-20 and 1920-21 averaged 130,000 gallons but during the three subsequent years declined to 64,000 gallons

It is clear, therefore that the expansion in trade has been met entirely by indigenous oil with the result that no additional revenue has accrued to Government although the trade has almost doubled The same remarks apply to pepper.

The effects of this increase of import duty, therefore, defeated its own end, which, presumably was to raise more revenue

It is also stated that since the duty of 30 per cent *ad valorem* has been levied on gold thread, there has been considerable smuggling of that article from French India to British India The thread is said to be imported into Pondicherry and from there smuggled across the frontier without being assessed to duty The resulting competition is said to be so keen as to make it impossible for importers in British territory to carry on business

Qs 83, 84 and 85—The Committee take questions Nos. 83, 84 and 85 together. They agree generally with the conclusion at which the Fiscal Commission arrived on the subject of *ad valorem* and specific duties This conclusion was defined in the following words in paragraph 276 of the majority report· "Our general conclusion is that while the Indian tariff must contain as at present *ad valorem* and specific duties and tariff valuations the system of specific duties and tariff valuations might be extended cautiously wherever examination by the Tariff Board shews that this is likely to be in the general interest." It was pointed out by the Commission, and the Committee of the Chamber agree, that the system of tariff valuations works satisfactorily They do not think that importers generally take any exception to it Importers are consulted annually before the valuations are fixed, and they are given an opportunity of explaining to the Government what their views as to the valuations are As the Fiscal Commission observed, the case of sugar is one of special interest The valuations in the case of this commodity are based on the average values for the twelve months preceding, and the system has undoubtedly worked satisfactorily for a number of years It is now to be superseded, but for other reasons, by a specific duty As regards *ad valorem* duties, the difficulty of fixing the value is of course considerable, as experience of section 30 of the Sea Customs Act shows clearly Specific duties would necessitate a more elaborate tariff, seeing that they are levied on weight or measure irrespective of value or quality But the Committee of the Chamber consider that a more elaborate tariff would be in many ways advantageous, as they recognise that the existing Indian tariff was framed *on the basis of low import duties, and that it is not well adapted to the* high rates that are now in force

On the subject generally, the views of the Committee are fairly expressed in paragraphs 266 to 276 of the Fiscal Commission's report They find it difficult to make any suggestions as regards appraisement, except that they understand there is a feeling at present among importers that the Customs staff of appraisers at most of the ports needs to be strengthened This is of course to be expected in view of the higher rates of duties which are now in force

Q 105—The Committee consider that no further taxation should be imposed on the development of, or trade in, minerals, or the possession of mines.

Q. 119.—The Committee would be entirely opposed to any of these suggested taxes The country has become accustomed to existing forms of taxation, and in the present state of affairs it would be, in the opinion of the Committee, a mistake to disturb current arrangements and to create further uncertainties as regards future developments in taxation.

Sir Alexander Murray and Mr. Kenneth Campbell gave oral evidence as follows :—

Dr Paranjpye. Q —In the case of commercial or semi-commercial undertakings, you appear to think that Government should not engage in trade?

A —We commercial people would say "no."

Q.—Does your objection apply even to the undertakings in which private companies must have a monopoly, such as tramways, lighting, etc.?

A —We do not think that Government should be ruled out from embarking on such undertakings.

Q —Electricity, tramways and lighting, these are the kind of services I am thinking of.

A.—We do not see any objection in Government or a Municipality doing this

Q.—Your objection does not apply to monopolistic undertakings?

A —Are such undertakings necessarily a monopoly?

Q.—Yes, you cannot have two companies to supply electric light.

A.—Well, there is competition for example between the tramways and the buses in Calcutta It was private enterprise that started the tramways and it was private enterprise that started the buses also.

Q —It may occasionally happen that a private conveyance company might make the tramway company non-paying.

A.—You cannot avoid it, the people would always prefer the cheapest form of transport We don't think you can stop such enterprises. There may be another private company which will come in and start another kind of conveyance

Q —It requires a good deal of capital, capital is not so mobile in India.

A.—We don't think so We think capital has always been forthcoming when there is good business to develop.

Q.—Don't you think that a well-established firm can always kill a comparatively weaker firm?

A —We do not think so.

Sir Percy Thompson. Q —Is not the difference between the tramways and the buses like this, that the former is a natural monopoly and the latter is not?

A.—That is right.

Dr. Paranjpye. Q —It may be even necessary for the municipality to stop the tramway company?

A.—We would not object to it, because we are always out for the cheapest form of transport.

Q —Cheapest in the long run?

A.—Certainly.

The President. Q.—With regard to the entertainments tax, you say, it causes an undesirably heavy burden on the proprietors. Can you give evidence of that?

A.—We can speak only of Calcutta where we have experience and we think for the most part the proprietors of the companies are paying the tax themselves. The rates have not been in many cases increased to include the entertainments tax with the result that the proprietors have to bear the tax. They are faced with two alternatives, either to add the tax to the price of admission and diminish the attendance or to leave the attendance unchanged

Q.—Do you think any companies have gone into liquidation?

A.—We understand both the Bandman Company and Madan Company have done very badly since the tax was imposed. It may be due in part to the entertainments tax though we cannot put it down to this reason for certain It may be also due to the after effects of the war. During the war people had more money to spend on these luxuries

The Maharajadhiraja Bahadur of Burdwan. Q.—There is no doubt that this tax has hit them.

A.—Absolutely. It is an undoubted fact that it has hit them very hard. The tax was originally intended to fall upon the people who were leading a luxurious life, but now it is otherwise

Q.—I wonder if you can give some figures for this.

A.—We think we could get out figures in Calcutta to show how these companies were faring before the entertainments tax and making profits and how they are now making losses.

Dr. Paranjpye. Q.—They were making exorbitant profits before?

A.—We are talking of making profits as well as losses Now they are making very great losses. It is impossible to draw the line between the effects of the entertainments tax on the profits of these companies and the after effects of the war. It may be also due to the general decline of the prosperity of trade.

The Maharajadhiraja Bahadur of Burdwan Q.—If you could get us the figures, it will be very helpful If it came from your Chamber, it would be very helpful to us.

A.—We think we might be able to give you the figures for the Turf Club if you want them. That is one of the taxpayers, though they do not pay very much in the shape of entertainments tax mostly they pay betting and totalisator taxes. Anyhow we can get you the figures But with regard to the other figures, we can write to those companies, putting forward our view, and we hope they will be able to supply figures

Dr Paranjpye Q.—What has been the effect of this betting tax?

A.—All the people who pay this tax say that it has hit them very badly, because they have got to pay the tax of 4 per cent on all the winnings Before the tax was imposed a man might win and lose Rs 5,000, but would be all square in the end Now on the same figures he will be down Rs 200 which he has to pay on the Rs 5,000 which he wins It is becoming gradually a drain on their betting capital.

Sir Percy Thompson. Q.—The suggestion in England was to make the tax 20 per cent.

A.—We think people in England bet in very small sums In Calcutta the attendance in the first enclosure is three or four thousand people and if you divide the total amount collected over four thousand, we think the incidence would be extraordinarily high We think there is another tax in Australia, a tax of so much per ticket We think it works much better than this But it may not yield so much in India

The President. Q.—Would the Turf Club be disposed to give us their comments on the working of this tax?

A.—We think we could give you their comments as far as the entrance fee tax, betting tax and the totalisator tax are concerned

Dr. Paranjpye Q.—You say in your written statement that in the opinion of the committee, taxation should be a condition precedent to representation. Do you mean by that direct taxation?

A.—You ask in your questionnaire whether taxation is a proper accompaniment of representation and should every member of the community pay a tax of some sort. We say, "yes," to that question We would even go to *the length of saying "yes" to your question now regarding direct taxation.*

Q.—In that way if poor people pay only indirect taxation, you would not give them a vote?

A.—If a man were to pay direct taxes, he would have something tangible to go on, and he would be inclined to look to his representatives in the Council in a way that he does not do in the case of indirect taxation.

Q.—In England where practically there is manhood suffrage, a large number of people do not pay any direct taxes.

A.—We think there is a very great difference between England and India in this respect. In England almost everybody is educated and can read the newspapers and understand problems in a way the masses in India cannot understand them. Personally we should say that until such time as people are able to understand the benefits of representation, direct taxation should be a condition precedent to representation.

Q.—What will be the effect on the local bodies whose tendency is to have indirect taxation, at least it is their mainstay?

A.—We do not think that anybody should vote in a municipality, of which we have considerable experience, unless he has some sort of direct taxation to his credit. At least nobody should have a vote unless he pays rates in the shape of direct taxation.

Q.—According to your suggestion there will be very few voters and their representatives will practically shift the burden of taxation on to the poor people by means of indirect taxation.

A.—We do not agree with that. We say in the municipalities nobody should have a vote unless he pays something in the way of direct taxation.

Q.—Have you got octroi in Bengal?

A.—No

Q.—You would not encourage indirect taxation?

A.—No, except perhaps the terminal tax on the lines indicated in our statement

Q.—We saw in many other parts of India that there was great objection to direct taxation in municipalities, and reliance was placed only upon octroi or terminal taxes which are indirect.

A.—Bengal is more advanced than the other provinces you speak of

Q.—I only wanted to show that if votes are given only to those people who pay direct taxation, the number of voters would be very small and the tendency of those voters and their representatives would be to lay emphasis on indirect taxation.

A.—We are very strongly of the opinion that the only way you would be able to bring home to the people in India the benefits of having representatives in the local bodies is by means of direct taxation.

The Hon'ble Sardar Jogendra Singh. *Q.*—Would you favour adult suffrage without any qualification of direct tax?

A.—We are entirely against adult suffrage.

Q.—Because the right stamp of men may not be able to get into the Councils?

A.—Yes, it is there that the difference between Western Countries and India comes in.

Sir Percy Thompson. *Q.*—In answer to question No. 33, you say, that it would be unwise and undesirable to increase the rates of income-tax. What is your objection?

A.—We feel so Take the income-tax, previous to the war, it amounted to something like 2 or 3 crores but now it has been pushed up to 20 crores or so.

Q.—Supposing more money had to be raised, would you say that it should not come out of income-tax but should be raised by some other tax?

A.—We feel about the income-tax that it ought to be reserved against special eventualities just as in the case of the last war. It should be always kept in reserve for such extraordinary occasions when it can be tapped very easily. As soon as that is over, the high rates should again drop down. Then

if there is another war on the frontier or anywhere else, income-tax can be tapped at once and will help to supply ready money.

Q.—If you lower the income-tax, you would have to tax something else more heavily?

A.—The revenue in India is peculiar, it depends on many more things like monsoon, etc. The expenditure also depends on many things such as the troubles on the frontier. We consider that income-tax is a particularly suitable tax to have as a stand-by and it should drop when ordinary circumstances prevail and rise when there are extraordinary circumstances like war.

Q.—Practically it is the only tax which is graduated with regard to wealth.

A.—That is so.

Q.—If you bring it down to a low rate, your graduation is more or less gone.

A.—The tax before the war was 5 pies in the rupee, it has now been pushed up to 1 anna 6 pies and the super-tax has been pushed up to 6 annas which is relatively higher than the top rate in Great Britain.

Q.—There are various layers of income round about Rs 4,000, 5,000 and 6,000 a year which are taxed very much lower than in other countries.

A.—That is only natural. We do not think that our taxes are on a basis which are comparable with those in England. Our point, when we said that taxes were high, was that they were relatively higher than the rates in pre-war days and while we submitted to them on account of the exigencies of war, we now think that an effort should be made to reduce taxation.

Dr. Paranjpye. *Q.*—If you are going to give up a portion of your income from income-tax and if the only alternative was to raise the salt tax to that extent, which would you prefer?

A.—It depends on the existing levels of the salt tax and income-tax. What we mean is that the salt tax at Rs 1-4 is a more reasonable tax than the existing graduated rates of income-tax.

Q.—You propose that the rates of income-tax should be lowered and consequently you propose to give up a certain amount of income now derived from income-tax. How would you make this up?

A.—It is not necessary to make it up by increasing the salt tax. In the past year or two expenditure has dropped materially. On the other hand, the cotton mills are doing badly, the jute mills are working only 4 days in the week and trade generally is not normal at the present moment. We hope that the expansion that will take place in trade will make up for any reduction in income-tax. We only say that if there is to be a lowering of taxation, the income-tax payer ought to be taken into account.

Sir Percy Thompson. *Q.*—I am afraid I do not understand your answer to question No 37. The whole of the income-tax system in India is directed to the taxation of individuals. If you tax a company, you are really taxing the individual shareholder through the company.

A.—That is not what has been decided in Bombay. In Bombay they decided that it is the company itself that is taxed and not the individual shareholder.

Q.—It is the company itself that is being taxed, but that is a mere matter of machinery. What you are really getting at is the income of the various individuals who compose the company. You have an income-tax, a super-tax and on the top of that a super-tax on the profits of incorporated companies, and the justification for this last tax is that the privilege of incorporation gives a company advantages in the matter of corporate finance.

A.—So it was at Home.

Q.—I suggest that the Indian super-tax on companies is entirely analogous to the English Corporation Tax.

A.—No; they are not comparable, because the allowances that were given in connection with Corporation Tax at Home are not the same as are given in connection with super-tax on companies here. The only comparison between them is that both are on companies.

Q.—The tax in England was 5 per cent on the profits of companies.

A.—Yes, but there you gave an allowance of £500 only before you began to tax, here we allow Rs. 50,000. There is in other respects also no comparison between the two

Q—In general structure the two are the same; broadly speaking, it is a tax on profits

A—The difference is very material, in our opinion the only analogy between them is that both are on companies.

Q—On what ground do you object to the Indian super-tax on companies? Is it not a fact that the company gets advantages in the matter of corporate finance?

A—No more advantages than they get in any other country.

Q—But do they get any advantages?

A—Yes, we personally think that they have advantages and that everything should be done to encourage them in order to attract capital into business and that nothing should be done that would stand in the way of companies being formed, so that the industries of the country may be developed

Q—Do you think a company has an advantage over a private firm?

A—It has the advantage of limited liability.

Q—From the public point of view?

A—Somebody may collect a number of people to be formed into a company to embark on some enterprise, where no single individual may be able to do it

Q—Super-tax is not paid on the reserve of a company, whereas it is paid on the parts of the profits of a firm or individual which are put to reserve; is not that an advantage which a company gets?

A—That is so, but a company pays income-tax and its own super-tax on all its profits the same as a private individual. We agree however that something ought to be done about one man companies.

Dr Paranjpye *Q*—Would you be satisfied if the income-tax on companies were levied on all profits over a certain percentage of income made by the companies?

A—We will reply to that, if we may, with certain figures The ordinary paid-up capital of the jute mills in Bengal on which dividends are declared is about 13 crores of rupees The funds in the business, including reserves and undistributed profits, amount to about 56 crores of rupees Therefore we would strongly object to the rate of dividend declared on the ordinary capital being taken as a basis for taxation.

Q—You say the interest should be on 56 *plus* 13, or 69 crores of rupees?

A.—The 56 includes the 13.

Q.—What the companies ought to have done is to have distributed the surplus money to the shareholders long ago

A.—That is what other companies have done, thereby contributing to their financial difficulties in times of dull trade.

Sir Percy Thompson. *Q*—What do you mean by saying that the committee of the Chamber would not favour the withdrawal of the exemption of incomes derived from agriculture?

A.—It has always been the policy of the Bengal Chamber of Commerce to accept the permanent settlement of Bengal and they therefore would not advocate anything in the nature of a tax on income being superimposed on this permanent settlement.

Q.—Do you think it would be a breach of the permanent settlement to apply a general tax?

A.—That has been the policy of the Chamber. They recognize that the hands of Government, so far as the settlement of land revenue in Bengal is concerned, are tied by the acts of their predecessors

A.—Government soon took that tax off.

Q.—I do not know whether the imposition of local cess was regarded as a sort of bargain in consideration of being free from income-tax

A.—We would not have any objection to a local cess. We consider that all lands in Bengal, whether permanently settled or not, should be liable to local taxation in the shape of a cess for the making or improvement of roads or for sanitation or drainage or education or any purely local purpose.

Q.—You do not oppose withdrawal of the exemption of agricultural income for any other reason such as that it is not worth collecting?

A.—No

Q.—Your reply to question No 43. Assuming you can get the services of non-official Commissioners in places like Calcutta, Madras and Bombay would it not be impossible to get the type of persons required over the greater part of India?

A.—We are inclined to agree There would be difficulties even in Calcutta and it is with considerable diffidence that the suggestion is put forward

Q.—How would you set about it in Calcutta? Do you think a representative body of business men could be got together to act in an unpaid capacity as a tribunal against the decisions of the income-tax officer?

A.—You have largely the same type of men in Calcutta as you have at Home.

Q.—Do you think a sufficient number could be found who would be willing to do the work?

A.—We are only expressing an opinion, we think a sufficient number could be found in Calcutta

Dr Paranjpye. *Q.*—Don't you think that the people that would generally be taken as Commissioners would be from the very top and they would probably not be so familiar with the circumstances of the people of lower incomes?

A.—That is an objection

Q.—Such Commissioners might be able to give a fair opinion on the profits obtained by big companies, but not of small traders whose income is, say, Rs. 10,000.

A.—We accept that.

Sir Percy Thompson. *Q.*—How would the tax-payers generally like information as to their incomes being disclosed even to this representative body of Commissioners?

A.—Speaking generally, they would not like it

Q.—The only result would be they would not appeal

A.—Even that would serve a purpose

Q.—Don't you think it possible to have this system of unpaid Commissioners in some of the bigger towns?

A.—We advocate that We recommended this proposal to the Bengal Provincial Taxation Committee in 1921, but this is largely a matter of individual opinion

Q.—Can you say what objection is taken to it?

A.—We do not think the officials themselves are particularly keen about it.

Q.—It is said that bearer securities afford facilities for the evasion of income-tax. The trouble arises in the case of foreign securities.

A.—We never pay without deducting income-tax.

Q.—It is not the case with Chinese loans held in India

A.—We think there are more Russian bonds than Chinese bonds in India at the present moment.

A.—We do not think in this case much income is brought into this country; we do not pay unless the income is actually brought into this country

Q.—We have been told that there is a good deal of evasion.

A —If it is on foreign securities, we cannot deal with it. Bearer securities in this country should not escape taxation, if they do, there is something wrong with the system.

Q —A suggestion which has been made to us is to take it by means of a stamp on the coupon

A —In actual practice we have not met with cases where they have escaped taxation, we do think that on interest accruing here on bearer bonds a tax ought to be paid in this country.

Q —There is great trouble in getting interest on bearer bonds.

A.—We do not think it arises in this country.

Q —Probably there are not very many foreign securities held in this country

A.—No

Q —Do you think the scheme for avoiding double taxation is working all right?

A —Up-to-date it has worked all right.

Q —You make a suggestion that losses should be carried forward

A —Yes We have tried all the ways, we tried the ideal basis for income-tax assessment, *viz*, the profits of the year for which the assessment is made, and it was stopped because in actual practice it was found to be inconvenient.

Q.—Even that would not help you in carrying forward losses.

A.—We feel strongly on this question of losses, we feel we ought to carry forward the losses, it is like the tax on the totalisator.

Q —How many years do you want to carry forward the losses for?

A —Say two years after the year of loss

Q —In a fluctuating business, if you tax on a one year basis, you might pay a very much higher total income-tax than if you tax on averages.

A —Yes

Q —As a matter of fact the Royal Commission in England recommended the previous year basis, but I rather think that opinion has now changed round

A —They said that the ideal basis was to take the profits of the year for which the assessment is made.

Q.—How can you work it?

A.—We were working it. In Calcutta where we keep proper accounts it worked very well; the trouble was up-country.

Q —The trouble is that every account has to be re-opened and it means a double amount of work.

A —That is so. We are quite satisfied now. We do not want to change the income-tax system every year.

Q —You are quite satisfied with the previous year basis?

A —If you would allow us to carry forward the losses with a time limit to be fixed.

Q —Supposing a man had two businesses, he would be entitled to write-off the losses in one against the profits in the other.

A —Yes.

The President. Q.—You have not given any answer to question No. 91 regarding evasion of duty on share transfers. It is a point which affects Calcutta more than any other place.

A.—It is not evaded on share transfers actually registered in Calcutta, but many are not registered.

Sir Percy Thompson. Q —What happens in the case of a blank transfer?

A.—The shares pass through many hands We sell the shares to you, your ...nsfer form, he does ... more hands When ... may register it and one stamp duty only is paid.

Q.—Does not the same thing happen in England on the stock exchange?

A —In effect it is the same thing, except that you have a settlement fortnightly, whereas you may have a registration here, say, once in six months.

Dr. Paranjpye. Q.—The same thing happens often in the case of sales of house property.

A.—That is exceptional and cannot be compared with the practice obtaining in shares.

The President. Q.—Is there any remedy for this evasion in the case of shares, short of making it compulsory to pay the dividend to the registered shareholder?

A.—We do not know of any. This question has repeatedly been discussed by the Chamber and they have never been able to suggest a real solution

Q.—Is it compulsory for you to pay?

A —Several companies have definitely said that dividends would only be paid to registered shareholders. But a bank or some one of standing may hold different certificates under blank transfers and say "we hold the shares belonging to so and so, or registered in the name of so and so, please send us the dividend warrants" and they undertake to keep you free from any claims and you hand the dividend warrants over to them.

Q —Would there be any objection on the part of the Managing Agents of the Company to legislation to this effect being enacted?

A.—We do not think there would be any great objection to legislation being enacted to the effect that the dividend on shares should only be paid to the registered shareholder In a case like that, we put into the Post Office warrants for dividends in registered covers addressed to the last registered shareholders Then somebody may come in and say "I am holding these shares", you tell him that he has not registered, then he registers probably or if a bank would write and say that they hold themselves responsible, they may get the warrant from the man last registered who is in the position of a trustee If the ultimate holder wants him to pass it on, he cannot keep it So if a law is enacted to the effect that dividends would be payable to the registered holder, it will only be confirming what now is the general practice with many companies

Q —It would confirm the six-monthly practice

A.—Not entirely necessarily, but we would send the dividend warrant to the registered shareholder and he, being a trustee, is bound to pass it on.

Sir Percy Thompson Q —Would not the man who has got these transfers and does not register them be afraid that the registered holder would become bankrupt?

A —He is holding the transfer and the certificate itself and nothing can be done to transfer to anybody else

Q —Is there no reason why the registered holder will suspend it?

A.—Nobody has ... often a registered holder will not bother him ... rant gets lost, in which event he and the u... and say "we have lost the dividend warra... after due advertisement in the newspapers and notice to the previous shareholder, the company then proceeds to issue a duplicate

The President Q —Is not there also a certain amount of evasion in the stamps being used twice over?

A.—We have never come across it in actual practice It may be the case.

Q.—With regard to minerals, we want to remove the anomalies in the system of taxation and put it on proper lines The suggestion is that you should have three kinds of taxes One would be a uniform tax on raisings

or despatches; another would be a special tax on the royalty of the zamindar; and the third would be a specific tax on the income of the companies.

A—The first is a natural tax, already levied; the second is a new thing; in the third case, we are not prepared to agree that any further tax should be put on except income-tax.

Q.—Is it not an unearned increment?

A—It is a wasting asset all the same We think that royalties and income ought to be assessed to income-tax We are not in favour of any other form of tax being put on them.

The Maharajadhiraja Bahadur of Burdwan. *Q*.—Regarding the royalty, there have been adverse judgments It is said that the Government have no right to it under the terms of the permanent settlement. Therefore, that question is not so easy to answer as the question of charging income-tax on the companies.

A—We would be in favour of putting an income-tax on royalties earned by the proprietors just as you make the profits of the company working the mine pay income-tax and super-tax And we would be in favour of the cess being calculated on the basis of the raisings or despatches. But we do not think that any additional tax ought to be placed on either royalties or profits, because one is the profit of the proprietor and the other is the profit of the worker of the mine.

The President. *Q*—Both profits have the element of windfall

A—That may be the case with regard to the original proprietor of the mine But subsequent purchasers have paid hard cash for it As regards the worker of the [illegible] all expenses of [illegible] from the owner [illegible]

Q—If you impose a flat rate, you would be penalising a small company working the worst coal.

A.—That is true

Q—That is why the profits should be taxed.

A—Profits do not necessarily accrue to the man with the best coal but to the man who works the mine best We have not really considered the question.

Q—You have nothing to say with regard to question No. 147

A—The small committee of the Chamber who discussed this matter did consider question No 147. Their feeling was that unless they had something substantial before them, something tangible, they did not feel competent to express an opinion Because while the questions put in front of them were questions suitable for discussion theoretically, they were not able to deal with them from a practical point of view.

Q—Could you not arrive at a practical point of view by applying those methods to the different taxes?

A.—But you would have to take into account what the actual revenue is [illegible] at the ultimate result would [illegible] but practically, unless you [illegible] ou cannot arrive at any con- [illegible] port and export duties. It would be held that import duty should go to the Central Government But take the export duties You could almost earmark where the particular articles come from. For instance, jute comes from Bengal; tea from Assam, Bengal or Madras; so that you might say that a particular province might get the benefit from particular articles. And we prefer to see the actual figures before we say anything on it. We think that unless we have a purview of the whole thing in front of us it is very difficult to express an opinion regarding particular duties.

Q—I am afraid we would be travelling beyond the terms of reference if we attempted that We are asked to decide the question, for instance, whether it would be right to allocate the proceeds of an export duty to a pro-

vince which has a monopoly of the produce and leave it for the Government of India thereafter to look at the figures and decide the question.

A.—We state the point of view discussed in our Committee and these are the views we held; and we feel that we would not be justified in going beyond that.

Q.—Would you not like to discuss the principles?

A.—No, Sir; because they are very difficult to apply in practice These are the theories laid down by economists in Western Countries. The circumstances in India are different so far as these things are concerned. It is a

Q.—One of your principles would be that the Central Government must take the more elastic taxes?

A.—Yes.

Q.—Would one of your principles be that whatever taxes are imposed for Imperial purposes, they must be imposed at the same rates over the whole country?

A.—Yes, because it would not be fair to put a higher rate in one province and a lower rate in another province

Sir Percy Thompson. Q.—With regard to income-tax you get complaints from a province like Bombay that it is getting no share in the increased trade activities of the province. The same may be the case in Bengal Is not there substance in that?

A.—Yes; there is a good deal of substance and we sympathise with Bengal and Bombay.

Q.—Should not the income-tax, although centrally administered, be shared by the provinces?

do?

purposes
d income-
taxation
here but
in America, France, etc.

A.—But the complications are not the same at Home as you have here. At Home you have the Imperial Government and the local bodies; but here you have the Imperial Government, the Provincial Governments and the local bodies.

Q.—You say that income-tax ought to be reduced to the minimum when there is no war. I think in some of the countries it has been recognised that it is the main means of raising the income of the Government.

A.—But it is one which rises or falls with untoward circumstances. Whereas in the provinces where they have their liabilities before them, they ought to have a more or less steadily expanding income to meet the liabilities; and not an income like the income-tax going up or down—going up with a war and coming down with a surplus budget.

Q.—Suppose you gave a share to the provinces; it would be still open to the Central Government to increase the rate without increasing the proportion which goes to the provinces It may be steady for the provinces and a varying rate for the Central Government

A.—We have not contemplated that. We have not gone deeply into the question.

The President Q.—There is the Australian method of giving the income-tax on the smaller incomes to the States.

A.—We do not agree with that If this subject had been discussed fully in our Committee, we might have been free to express an opinion. But as this has not been discussed already, we do not feel at liberty to express an opinion

Q.—There are two new taxes suggested: tobacco and inheritance duties Would you, generally speaking, approve of these?

A.—If you want our personal opinions we may say this; we understand that the death duties are at present provincial and that committees are already sitting in Bengal and some other provinces to discuss this subject. The feeling of our Committee was that we should not express an opinion on this pending the reports of these committees. Because we see some difficulties in the way of imposing death duties. But if it is reported that there are no difficulties in the way, we should be prepared to consider the possibility of imposing them.

As for tobacco, it seems to come in along with other things that are now liable to excise duties. But we have amongst our members people interested in tobacco and therefore, we think we would not be justified in saying anything on the subject.

Q.—What do you say about patent medicines?

A.—Personally, we do not see why they should not be taxed.

Q.—Aerated waters?

A.—We would object; because anything that goes to the health of the people ought not to be taxed and we maintain that aerated waters are a means towards good health. For instance, formerly in the mill areas cholera and other diseases were quite common. But since introducing aerated and filtered water, the incidence of ill-health has fallen.

Mr. ALEXANDER KINNEY, Administrator-General, Bengal, was next examined and gave oral evidence as follows :—

Dr. Paranjpye. Q.—I see in Bengal that you have been considering the question of death duties.

A.—Yes.

Q.—Generally in England there are three kinds of death duties, Estate duty, Succession and Legacy duty.

A.—Yes.

Q.—But Legacy and Succession duty are not both charged?

A.—No. So far as I am aware.

Q.—Both are of the same nature?

A.—Yes. They are on a sliding scale.

Q.—You suggest that if introduced in India, death duties should take the form of both.

A.—I am rather inclined to change my views. I suggest only two duties, namely Estate duty and Settlement duty. At present you have various persons executing trusts. You got a stamp duty on that and nothing further.

Sir Percy Thompson. *Q.*—That was the law in England till 1909.

A.—Yes.

Dr. Paranjpye. *Q.*—There should be a graduation according to the degree of relationship under settlement duty.

A.—I am inclined to take the other view. Owing to the conditions in India fix one duty and collect it once for all when the deed is executed.

Sir Percy Thompson. *Q.*—Would you exclude that property from the assets of the life tenant when he dies?

A.—You must.

Q.—How would the partition of a joint Hindu family come in?

A.—You can stamp the partition deed.

Q.—The settlement duty?

A.—Stamp the settlement deed. To my mind it is an easier mode of collecting revenue if you stamp the deed. Then you are done with it. You get the revenue at the initial stage and you are finished with it.

Q.—Meanwhile you lose the estate duty on the successive passages of the property.

A.—If a person who has got a vested interest dies his legal representative will have to take out representation to his estate. Supposing you have a marriage settlement where the life interest is given to husband and wife and the ultimate trusts are for the children, and supposing one of the children dies after having obtained a vested interest in the property under the settlement. Here representation would have to be taken out before the trustee could get a legal discharge.

Q.—The usual form of settlement is a transfer of the trust for the wife during her lifetime and on her death to the children The children do not obtain a vested interest in her lifetime.

A.—They have, in my opinion, vested interests subject to the life interest. It is a vested remainder

Q.—You get estate duty on the death of the wife in England.

A.—That would, I think, be Settlement duty.

Q.—We treat life interest as an estate Up to 1909 the Estate duty was paid on the death of the first settler. Then the Estate duty was not taken at any subsequent death. Since 1909 settlement property is regarded as free property

A.—Yes. We have got no duty of that description in India under settlements.

Q.—If you take Settlement duty at first only you would lose Estate duty on death

A.—I would take Settlement duty once for all I would only charge Estate duty on those persons who have vested interests and die The only person who would pay is the legal representative Suppose you have a settlement and you have given the interest to wife or husband Upon the death of both it is in favour of the children. Suppose they have four children Each of them attains a vested interest either at marriage or 21 years

Q.—Would you charge if they die?

A.—If they die the trustee could not pay to anybody except their legal representative.

Q.—On succession by death you would only charge on the property of which the deceased had power to dispose?

A.—Yes

Dr. Paranjpye *Q.*—If it is reversionary interest, you will have to find out what the interest is

A.—You have got particulars of the trust properties and the definite share should easily be ascertainable.

Q.—If it is a question of several generations, what will you do?

A.—But it is one which rises or falls with untoward circumstances. Whereas in the provinces where they have their liabilities before them, they ought to have a more or less steadily expanding income to meet the liabilities; and not an income like the income-tax going up or down—going up with a war and coming down with a surplus budget.

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A.—You have got particulars of the trust properites and the definite share should easily be ascertainable.

Q—If it is a question of several generations, what will you do?

A.—You might have legal difficulties as to whether the settlement is void or not void.

Q.—You would not like to have two sets of duties?

... e have no diffi- ... u had already ... duty.

Q.—Suppose you leave £100,000 with three legacies of ten thousand pounds each and the rest to somebody else. The whole Estate duty comes on the residue.

A.—Yes.

Q.—Each of those people get £10,000 free of Estate duty. The incidence is not on the specific legacy.

A.—Not on the specific legacy. You will find it very much simpler if Estate duty were fixed on a sliding scale. The higher the value of the estate the higher the duty.

The President. Q.—The leaving of a large number of legacies might lead to a minus balance.

A.—It might. At times people leave wills regardless of what they leave behind them.

Q.—Do you think that distant relatives should pay more than immediate heirs?

A.—I have seldom seen a legacy being left to strangers by Hindus or Muhammadans in this country.

Dr. Paranjpye. Q.—Generally people don't leave wills.

A.—But those who leave them don't leave money to strangers.

Q.—If a Hindu dies intestate and the estate goes to the second cousin, he should pay more.

A.—Those cases are very few and far between.

The President. Q.—If the money is left to an illegitimate child?

A.—There is no reason why Legacy duty should not be introduced. But I am rather against it. If you introduce Estate duty and make grants compulsory, it should be quite sufficient.

Q.—I do not quite follow that.

... letters of administration.

The Maharajadhiraja Bahadur of Burdwan. Q.—Will it work in these parts?

A.—I do not see why it cannot.

Q.—Very often if there is one heir he does not even take probate.

A.—He registers himself under the Land Registration Act and obtains a succession certificate when necessary and avoids payment of duty on land.

Dr. Paranjpye. Q.—Don't you think that this process would be more difficult than the other?

A.—I do not see why there should be any difficulty about it.

The President. Q.—Is this the position? It will be difficult in the case of the joint Hindu family. Because you find it difficult in the case of one race, you won't impose in the case of the others.

A.—I would treat them all equally.

Q.—If you except the Hindu from a duty it would not be fair to others.

A.—I do not think it quite fair. A man and his wife are entitled to hold securities in the name of either or survivor. Why should these also not be exempt? Companies also recognise joint holders of shares.

Sir Percy Thompson. Q.—Suppose you have shares registered in the name of yourself and your wife. On the death of one you will be charged half.

A.—On the death of one the other might be charged on the value of the half.

Q.—Suppose I am a joint holder of shares, then I will be charged only on my share.

A.—Joint accounts at Home proceed on the assumption that the money belongs to the husband until the contrary is proved.

Q—Otherwise there would be no estate duty on the wife?

A.—There would not be.

Q—Supposing really there was beneficial ownership you would charge only half?

A.—Yes.

Q.—How would you apply that to a joint Hindu family?

A.—That is my difficulty. You must apply that equally to all

Q—In a joint Hindu family if the shares stand in a man's name, he pays duty on them, but not if he holds as trustee.

A.—Then you have to prove the trust.

Q.—Does a Hindu succeed by virtue of birth or death?

A.—I take the view that it is by birth.

Q.—Suppose there are five brothers and the estate is worth 100,000. Each survivor would get 25,000. Whereas...... .....

A.—On the other hand, if another son is born the property will go on decreasing.

Q—Can you not solve it by taking account of death but not of birth?

A—Then you are going to interfere with Hindu Law.

Q.—No. I would consider the share passes on the death.

A.—I think it would be very difficult. If you force administration, you will have to disclose the whole estate. If a person comes for a grant, he cannot come in for a limited grant He has got to disclose the whole estate. Therefore duty becomes payable on the entire estate.

Q.—Take the case of five brothers all of the same age Are they to pay estate duty on the whole estate five times in rapid succession?

A.—It is the same risk for everybody else.

Dr. Paranjpye. Q.—Why not charge a duty upon the death of the person of the highest generation on the whole estate?

A.—On the death of the person belonging to the highest generation, you would charge the duty on the share that each one would have got if the estate had been partitioned It seems to me that any such suggestion is bound to lead to litigation.

Q.—How?

A.—On the question of assessment and things of that sort

Q.—That would be regulated by rules. The rate would be determined by the amount of share.

A.—If it were possible to frame rules it would be alright.

Q.—Don't you think it is very difficult to assess properly?

A.—I have never experienced that

Q.—You can always find out the number of shares

A.—You may have an amicable partition

Q.—That will be the same as gifts in England.

A.—I take the view that if you charge at the initial stage and charge on a sliding scale and compel grants it will be the simplest form of dealing with death duties.

The President. Q.—Take the instance of five brothers with one-fifth share for each.

A.—You can make a provision for that and take the duty on the property passing. I consider the forcing of administration is the remedy.

Q.—That is taxing the same estate rather heavily. Make the amount taxable when it passes by death without interfering with the personal law of the parties whether Hindu or Muhammadan. In other words, in the case of the five brothers you would tax the remainder of the joint Hindu family on the one-fifth share Can you not have one flat rate?

A.—Yes

Q.—Would that not be the simplest course to have a flat rate whether it is Hindu or Muhammadan?

A.—That is my suggestion, call it estate duty or anything you like.

Q.—Would not that result in the property of a Hindu family paying less than the property of Christian or Muhammadan families?

A.—It would.

Q.—Would it be possible to rectify it by charging the share when the party died at a rate applicable to the whole property?

A.—You could do that, but it would seem to be very unfair.

Sir Percy Thompson. Q.—It seems that on this plan the Hindu family scores every time.

A.—Yes

Q.—Do you think that they should pay at a higher rate?

A.—I don't think so.

Q.—Would it be necessary to tax partitions?

A.—Yes.

Q.—At the same rate?

A.—Yes

Dr Paranjpye. Q.—Don't you think that partitions should be chargeable only up to a certain limit?

A.—Yes, it might be three years before the death of a man.

Sir Percy Thompson. Q.—Why should you charge partitions? Take a case where there are five brothers and the Government is entitled to get, say, 5,000 on the whole property and the five brothers go into a partition and each gets 20,000 property, you would still charge on this 20,000 rupees?

A.—I was not assuming such a case.

Dr Paranjpye Q.—I am thinking of the case in which as in Bombay the son is entitled to claim partition during the lifetime of the father?

A.—Under the Mitakshara law he can.

Q.—So in the case of such a family where the son can claim partition during the lifetime of the father, in order to escape death duties he would generally claim partition during the lifetime of the father, consequently the partition will have to be charged. In the case of a Christian family, the father can give by means of a gift and in the case of a Hindu family, the son can claim by partition. In order to put the two on the same level, you will have to charge partitions within three years of the father's death.

A.—I do not see how you can charge.

Q.—What about the partition during the lifetime of the father?

A.—You can make it chargeable.

The President. Q.—Would it be fair to charge all partitions at a lower rate?

A.—I cannot say that Where I cannot follow is the question of partition. It only comes in at least where the father is dead and the sons want to partition between themselves My experience goes to show so far as my office is concerned that there had not been a case where the partition has been effected during the lifetime of the father.

Q.—I understood from Dr. Paranjpye's question to you, that you should treat partitions in the same way as settlements.

A.—If partitions are treated as a settlement, I do take the same view with regard to settlement. I think that would be the best thing.

Q.—Would you put an *ad valorem* stamp on the deed itself?

A.—Yes, I would, according to the value of the property, and then on a sliding scale.

Q.—I understand in 1920-21 you had as many as 38 cases in which death duties were paid on property other than house property, the total of which amounted to something like 24 lakhs of rupees. Those were principally from zamindars I take it.

A.—Well, mixed—Europeans, Indians, Armenians and Jews.

Q.—It means there were a considerable number of Hindus?

A.—There were

Q.—Can you tell me why you had so many cases in Bengal? There is the Hindu Wills Act, is it not?

A.—Of course a great many of them come under the Hindu Wills Act, but some of them come under intestacy. Take the case where a Hindu desires to create a trust, when he wants a permanent trustee, he generally appoints our office.

Q.—Mr. Birley says that "it will probably be a surprise to many as it has been to me to find that in the cases disposed of in Calcutta in 1920-21 under Article 11 of Schedule I of the Court Fees Act, death duties were paid in Bengal on property in land other than house property in 38 cases, and that the total value of such property on which death duties were paid amounted to Rs 24,00,000" He says that "these were presumably cases in which succession was governed by the Hindu Wills Act, XXI of 1870"

A.—I could not say that He has not drawn any distinction between the Hindu estates, American or Jews' estates He merely gives the number of estates.

Q.—But then the Hindu Wills Act is applicable throughout Bengal?

A.—Yes

Q.—Is there any difference between the presidency town and the moffusil? In the cities of Madras and Bombay one has to pay probate duty, whereas if the will is executed outside, the estate escapes.

A.—There is no such distinction here

Q.—Actually Calcutta has realised a great proportion of it.

A.—Yes The reason is that you cannot decide these cases in the District Courts, and a great number of them come up to the High Court. That is why the great proportion comes from Calcutta

The Maharajadhiraja Bahadur of Burdwan *Q.*—You are in favour of one duty, that is to say, at present you have for instance the probate duty, you have to pay registration fees, or for a succession certificate If any death duties are introduced, you will have a combined tax in the place of so many duties

A.—Absolutely; I will make it one

Q.—On page 16 of your note where you have suggested a scale for India, don't you think that the 10 per cent. which you have suggested for estates over 10 lakhs would mean that in actual practice, in the case of zamindari estates, at any rate in the great number of them, that they would go into the hands of the moneylenders?

A.—Why?

Q.—When you come to consider their net assets after paying land revenue, you will find that it would fall rather heavily on them, and as you know many of these zamindari estates in Bengal do not possess much hard cash outside lands. But where the only asset is the land itself, don't you think that even 10 per cent. would be rather hard?

A.—I do not see that is very much harder than it is in the case of the Administrator-General of Madras. I think his commission alone goes to 7 per

cent. or so. I do not see why this should work hardly; you can make them pay by instalments if you like.

Q.—My second point was that in providing for the percentage in the case of zamindaris which do not possess any assets outside the lands, you will have probably to give them some kind of option to pay by instalments. I mean to say that a man who has securities only, finds it perhaps easier to pay in one instalment than a man who has to realise property to pay death duties.

A.—That is what we do ourselves in connection with our commission now. We take it by instalments rather than force a sale.

Q—In the case of property which is mainly in landed property, you will probably find it necessary to introduce instalments rather liberally to realise your death duties so as to enable the estate to remain solvent.

A.—Yes, provided the estate consists of landed property and nothing else.

Q.—My other point is—the President has touched it slightly—you know for instance, the case of Raja Peary Mohan Mukherji. He gave away

A.—No. I would not worry about that point.

Q—You will tax only at the time of the settlement is made?

A.—Yes.

Q.—What is the rule now?

A—Very small stamp duties are charged at the time of the settlement.

Q.—The Bengal Settled Estates Act has been a dismal failure for the
der the Act is as
because nobody
Therefore if you

A.—I would go as far as 10 per cent., according to the value of the property settled.

Q.—My argument is, supposing a man has a property worth 10 lakhs of rupees; if we were to accept your scale of death duty of 10 per cent. over 10 lakhs and this man during his lifetime gives away the whole of his property by a deed of settlement, would you again charge on his death?

A—No. That is my view with regard to settlement; once you have stamped it you are finished with it.

Q.—Do you think in Bengal if you introduce a system like that you would encourage settlements, supposing you have a death duty in Bengal?

A.—I think you would.

Q.—Do you think it would be better to encourage settlement rather than death duty? I am considering this from the people's point of view, because whatever way we in the Taxation Comm
threshed out in the local legislatures.
of view of how it would be viewed by
the property during his lifetime he p
settle, a similar amount is paid as death duty by his son or grandson. Which do you think will be favoured in this part of the country? As you know to escape the probate duties, men under the Dayabhaga law do make settlements during their lifetime.

A.—The only reason I can think of is because at the present moment the stamp duty on the settlement is so excessively low.

Q.—My object in asking you is that if you have only death duty without having stamp duties for settlements you will leave a loophole.

A.—Yes.

Q.—You know so far as Bengal is concerned, there are many men who are worth lakhs and they execute trusts for religious endowments, etc. They would rather do all these things during their lifetime than leave them to the

will. In introducing this law you would introduce a new law altogether, or do you think that you can amend the existing law?

A —Personally I am in favour of the existing method I am very strong on this view, but with regard to the Court Fees Act I must say it is hopeless from commencement to the end I refer Chapter IIIA which deals with this question. You get one section conflicting with the other. You do not know where you are We have also got the Bengal Amendment Act which has amended the Act only so far as Bengal is concerned as regards duty. I am inclined to the view that you require a new Act on the subject.

The President. *Q.*—Have you got any experience of penalties under section 19A?

A.—No.

Q.—Does not the Act say if you fail to give full particulars in the inventory, you will be penalised by charging five times the duty?

[illegible] The section is only permissive. It [illegible] also seems to me that section 19 [illegible] no order shall be made upon any

Q —How do they conflict?

A.—You get 19 (*i*) which forces you to file an affidavit of the valuation and it also forces you to prepay your duty, whereas 19 E makes provision where too low a court-fee has been paid. This section was in the Act before section 19 (*i*) was inserted and see also 19 H.

Q.—Don't you do that in Bengal? I have penalised numbers of cases when I was a Collector under 19 E. I think one of the complaints against the Act was the absence of any discretion to reduce the very heavy penalty.

A.—Those must have been very extraordinary cases because if there is a question as to valuation, it appears to me there must first be an enquiry under section 19 H. 19 E in my opinion deals with the question of fraudulent cases. I do not think anybody who comes to the Court is deliberately going to make a fraudulent valuation

Q —Don't you get considerable number of cases where they aim at it?

A.—I have had heaps of cases where a person dies and particulars of the estate are given You go into the papers and find other assets, I do not file a further affidavit that I have discovered this, but I simply send in a certificate showing the valuation according to the petition and the valuation of the property which has been actually realised and duty is adjusted. There are cases when the valuation cannot be correctly stated at the outset.

Q —Is it not a fact in the case of private property, the party conceals the property?

A.—I do not think that would be deliberately done In a certain case the executors by not going into the papers in England did not discover that the testator possessed a great number of certain shares. They did not make any deliberate false statement. I certainly would not penalise unless it is a deliberately false affidavit. I do not see how you can penalise a man for a thing which he has no knowledge of. Of course if he puts in deliberately a false affidavit he has to pay a penalty and also renders himself liable to punishment.

Q.—How would you administer the Act for the purposes of duty?

A.—I would make it compulsory to pay the duty before grant is issued. [illegible]

whether that estate has been properly valued or not.

Q.—But you would still leave the matter in the hands of the Court?

A.—I would, so far as the initial proceedings are concerned; but with regard to enquiries into properties, it depends on where those properties are situated

Q.—You have read Mr Birley's proposal that Government should take up the question of putting the valuation of estates for death duties under a revenue authority instead of leaving ... the
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A.—That may or may not be so. I consider that the duty must first be paid to the court which issues the grant. Having got that, I would make the applicant file his affidavit for the valuation of the assets in duplicate. I would have one of the copies sent to the revenue authority to enable that authority to make enquiries as to whether those assets have been correctly disclosed or not. If they dispute the valuation, I would call upon the petitioner to show cause before the revenue authorities. I would give the petitioner a right of appeal to the court which issues the grant to decide the question whether it has been properly vlaued or not

Sir Percy Thompson. Q—The procedure in England is almost precisely the same up to the last point. If there is a dispute as to the value of the property, it would not go to the Probate Court, but to the High Court. The Court which issues the grant is not the same as that which would decide disputes

A.—Here it is different, we have no Probate Court.

The President. Q—You would give exemption up to Rs 10,000?

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Q.—You have a tremendous number of estates under your control?

A.—Yes

Q.—Practically you are a sort of public trustee.

A.—That is so.

Q.—Is the tendency likely to develop further in that direction?

A.—It is on the increase.

Q—The percentage is limited here.

A.—That is so.

Q—The office is more than self-supporting.

A—Yes. So far as we are concerned, we are on a very low scale. The higher the estate, the lower the percentage.

Q.—Your office pays a net revenue to Government?

A.—Yes.

Q—It is a tax on estates to that extent?

A.—Yes.

Sir Percy Thompson. Q.—In England the public trustee is in a curious position. He charges a heavier fee than banks and he does not make a profit, on the other hand, the banks get the prolific estates and only the troublesome estates go to the trustee

A.—That is the case here too.

Q—You think there should be no difficulty with regard to the adjustment of revenue derived under this head between the different Governments?

A.—I cannot see why you should have any difficulty at all I would allocate the revenue to the province which issues the grant

Dr Paranjpye *Q*—Would you have a common law for the whole of India?

A—Yes.

The President *Q*—Would the heir be entitled to apply for a grant in any province in which he has assets?

A—If you have assets in Bombay and in Bengal and if the person chooses to go to Bombay and get a grant throughout the whole of British India which extends to Bengal, the Bombay Government would get the benefit of the duty and *vice versâ*.

Dr. Paranjpye *Q*—Should you not give each Government its own share?

A.—The only way to do that would be to have various forms of affidavits of valuation.

Q—Some officer specially appointed for the purpose would divide them?

A—Yes in accordance with the assets disclosed in each province. The affidavit of valuation would have to set out the different properties situated in different provinces Then you have this difficulty. you have a large number of tea gardens in Assam which have their registered offices in Calcutta; who is going to get the revenue?

The President. *Q.*—What are you going to do in the case of Government paper?

Sir Percy Thompson. *Q.*—What are you going to do with bearer securities?

A.—That is the reason why I suggest that the province which gets the benefit of the revenue should be that in which the grant is issued I do not see why there should be any difficulty about it.

Q—An alternative would be to let it go to the province where the deceased is domiciled

A—Suppose, you have a person domiciled in England and has his assets out here

Q—The English system charges duty on the property situated in the United Kingdom and also on the whole of the property of persons domiciled.

A—If a person dies in England leaving assets in Bengal and Bombay, to which province are you going to give the benefit of the duty?

The President. *Q.*—Would it be practicable to distribute it according to the location of the immovable property, leaving the Government of India to take a share of the movables?

A.—I do not see why it should be so. Why should not Bombay and Bengal, where you have the registered offices of the companies, get the benefit of the revenue?

Q.—Is not the province which has to provide the service for the protection of the property the one in which the immovable property lies?

A.—That is so, but can you say it is all immovable property? Once you put money in a company, you convert it into shares, which are considered to be movable property.

Sir P [illegible] educes itself to an absurdity. If a ma [illegible] the property is considered to be si [illegible] the property is turned into a privat [illegible]

A.—[illegible].

Dr. Paranjpye. *Q.*—If a man has movable property of five lakhs in Assam and five lakhs in Bombay, on the five lakhs in Assam he would pay one duty; on the five lakhs in Bombay, he would pay the same duty, but because the total comes to ten lakhs, the rate of duty would be higher.

A.—I would like to emphasize this: the existing system of paying duty on the value of an estate at the time you apply for grant is wholly unfair. For instance, you get cases where a man dies in England and has executed his will there. It has got to be proved first in England and a certificate sent

out to India. During this time dividends are declared on the various shares.
You then apply for pr [illegible]
subsequent to the man's [illegible]
you come within the sli [illegible]
of the estate as on the date of the man's death.

The President. *Q.*—Would not your proposal tend to create a competition between provinces?

A.—No, but this difficulty would arise. The Presidency of Bengal as defined by the Administrator-General Act includes Bihar and Orissa. If we apply for a grant, it is made applicable to the Presidency of Bengal which includes properties in Bihar and Orissa, *i.e.*, the coal mines, etc. It is nevertheless within the Presidency of Bengal for the purpose of our Act.

Q.—We were told the other day that one effect of the variation in court-fees was that suits were filed in Allahabad instead of in Patna, because the rate of the court-fee was lower in Allahabad than in Patna

A.—That is why you should have a uniform rate in respect of duty payable.

Q—Unless there is some other differential advantage.

A—Individuals come to us in preference to either going to Madras or Bombay, because our rate of commission is very much cheaper.

Q—Because you have so much more business.

A.—Also because we have a cheaper rate of commission. I do not see why the province which issues the grant should not get the benefit of the duty; it does the work.

Q—You would not say that the duty is only a payment for services rendered?

Dr. Paranjpye *Q*—It is a revenue producing duty.

A.—That was the decision of the court under the Court Fees Act.

The President. *Q.*—Have you anything to tell us about the other stamp duties?

A.—They do not come within my province at all.

23rd March 1925.

SHILLONG.

PRESENT:

Sir CHARLES TODHUNTER, K C S I., I C S., *President.*
Sir PERCY THOMPSON, K B E , C.B.
The Hon'ble Sardar JOGENDRA SINGH.
Dr. R P. PARANJPYE.

Mr. H. C. BARNES, C.I.E., I.C.S., Officiating Commissioner, Assam Valley Division, was examined.

Written memorandum of Mr. Barnes.

Q. 10.—The following items are included under the head "Miscellaneous Land Revenue." This is not credited under the head of land revenue but under a separate head "Miscellaneous Land Revenue" and is not shown in the land revenue demand for the province:—

1. Sale proceeds of waste land and redemption of land tax.
2. Fines under the Land Revenue Regulation (credited under the head "Miscellaneous").

The value of trees under the timber valuation made on applications for special cultivation is credited to forest revenue. The details of the various items credited to miscellaneous land revenue will be found in Appendix VIII of the Land Revenue Reports of the Assam Valley Division and the Surma Valley Division. A consolidated statement is attached.

Q. 11.—Under the head of Excise penalties inflicted departmentally are included.

Districts	Sale of Government estates.	Sale proceeds of waste land and redemption of land tax	Rents, etc., of fisheries	Land registration and mutation fees.	Receipt from stone quarries.	Coal mines	Mineral oil.	Poll, capitation, house and hoe tax.	Sale of cadastral maps.	Hire of elephants	Survey fees	Sale of old stores and materials.	Fees for demarcation and clearance of trees and arable lands.	Sale of Forms A and B under Revenue Record Room receipt	Grazing dues.	Miscellaneous.	Total.
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
	Rs.	Rs.	Rs.	Rs	Rs.	Rs	Rs	Rs.	Rs.	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Goalpara	...	609	1,897	..	...				4	180	11,577	9			24,190	401	79,967
Kamrup	...	34	75,253			1,167		2,908	91	163	93	7	33		93,696	48	1,73,379
Darrang	...		21,755	28					21		2,2[illegible]8		90	4	60,823		84,999
Nowgong		10,667	25,062					23,121	10		61				31,909	37	81,451
Sibsagar	...	.	61,871	37	..	11,696	2,563	12,447	61	90	4,309				34,535	3	1,17,611
Lakhimpur			18,426			27,547	73,155	6,392	79	300	6,038	14		60	29,436		1,63,432
Garo Hills	..	...	1,496	.	..	3,361		70,141	2	.			2		22,210	12	97,243
Total of the Assam Valley Division	..	11,310	1,00,357	65	...	43,661	75,717	1,14,009	*270	723	24,331	30	134	54	2,77,735	494	7,45,794
Cachar	..	...	19,021	..	.		9,194	14,109	201		724	99	227	44	2,474	1,173	47,352
Sylhet	...	61	1,54,071	...	600		6,881	400	112		76	..	698		4,403	624	1,57,097
Naga Hills		..	.	.	...	10,556	602	81,418	..	.			..		1,326	363	94,297
Khasi and Jaintia Hills		..	6,075	...	..	1	..	35,680	1		144	301	358	..	3,597	1,799	47,737
Lushai Hills	..		80	.	..			31,114	.	...			...	.	590		32,763
Total of Surma Valley and Hill Division	.	61	1,79,247		600	10,557	16,677	1,63,711	314	.	944	300	1,266	44	12,379	4,028	3,00,126
Sadiya and Balipara Frontier Tract	.	.	491	..	..	..	...	15,711	—	..	.	.	.	16	8,048	..	21,264
Total of the Province	...	11,371	3,76,095	65	600	54,218	92,394	2,94,331	584	723	25,273	330	1,400	112	2,95,162	4,524	11,67,194

NOTE.—Figures are copied from Appendix VIII to the Land Revenue Report of Assam for the year 1923-24.

Q. 12.—The answer to this question will depend on what is the definition of the word "tax" as defined by the Taxation Enquiry Committee. I have been unable to find out how it has been defined.

Q. 27.—Theoretically the State has the right to demand of the individual citizen if need be, any sacrifice of money, services or life. Practically the demand is limited in a variety of ways In the matter of taxation the limit is the maximum amount which can be raised by the State without producing sufficient discontent to result in its own destruction The ideal to be aimed at is to limit taxation to the minimum necessary to provide for essential services. If, therefore, it should be possible for a state to confine taxation to the wealthier sections of the population, so far as taxes in money are concerned, there is every justification for so doing. For military service in defence of the State all should have the same liability. Money is only one form of contribution to the service of the State Consequently, it is not necessary that each citizen should be taxed in order to qualify for the privileges of citizenship.

The test for exemption is first the need of the State, which may vary from time to time; and secondly the comparative ability to pay of the different classes of the citizens. Both of these are questions of fact. And by their decisions on such questions Governments are judged whether they be wise or foolish, tyrannical or just.

Q. 28.—

citizenship

ment of tax

tion is not

Q. 29.—One would prefer, were it possible, to confine taxation to indirect taxes on non-essentials. Where this is impossible it is better to frame a scheme of taxation suited to the community from which it is to be taken. In an agricultural community, especially one of peasant proprietors, a land tax may be most suitable. In industrial or commercial areas income-tax or customs duties may be preferable. It seems impossible to lay down a hard-and-fast general rule.

In Assam house tax is levied on those agricultural tracts, in which it would be impossible or impolitic to attempt a land revenue settlement. It is really a substitute for a land tax.

Q. 66.—Excise.

With the exception of a few liquor shops under the outstill system the shops in Assam are settled under what is known as the contract supply system. That is to say vendors are supplied, by the holders of the contract for the supply, with liquor at 30° and at 60° under proof. The vendor has to pay a license fee which is calculated as vend-fee realised on the London proof gallon. In addition to paying vend-fee the vendor has to pay duty and cost price of the liquor all of which are realised from him at the time he applies to get a permit to get the liquor out of bond. The duty is Rs. 5 per London proof gallon and the cost price has been fixed by the contract at Rs. 2-6-0 per London proof gallon. The rate at which these shops sell to the public is fixed by Government: a minimum and maximum rate for each strength of liquor.

The Committee should know that a rise in the price of duty is only one

the increase in the cost price to the public has been followed by an increase in illicit distillation: but the inference that the increase in cost is the sole

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this nuisance. The figures of consumption of liquor for the current year indicate that there has been a decrease in illicit distillation. But the view

held by the District Officers and by me is that for the time the limit has been reached and no further increase in the cost price to the public is possible.

There are only 10 outstill shops mostly in remote places. For these a minimum rate of retail sale is fixed and the vendor is allowed to charge any rates he pleases above the minimum.

Year	Rate of duty on country spirit		Number of cases of unlicensed manufacture and sale of country spirit.	
	Surma Valley	Assam Valley	Surma Valley.	Assam Valley.
	Rs a p	Rs a p	Rs.	Rs.
1911-12	2 6 0	2 6 0	9	45
1912-13	3 2 0	3 2 0	30	43
1913-14	3 2 0	3 2 0	39	47
1914-15	3 2 0	3 2 0	39	50
1915-16	3 12 0	3 12 0	21	63
1916-17	3 12 0	3 12 0	29	94
1917-18	3 12 0	3 12 0	40	61
1918-19	4 6 0	4 6 0	33	73
1919-20	4 6 0	4 6 0	61	29
1920-21	4 6 0	4 6 0	62	47
1921-22	5 0 0	5 0 0	25	38
1922-23	5 0 0	5 0 0	95	69
1923-24	5 0 0	5 0 0	79	130

Statement showing the retail prices of distillery liquor.

Year	DISTILLERY LIQUOR.				Remarks.
	60° U P.		30° U. P.		
	Minimum.	Maximum.	Minimum.	Maximum.	
1	2	3	4	5	6
1911-12 to 1914-15	Annas 6 per bottle or Rs 2-4-0 per Imperial gallon.	Annas 8 per bottle or Rs. 3-0-0 per Imperial gallon	Annas 12 per bottle or Rs. 4-8-0 per Imperial gallon	Rs 1-2-0 per bottle or Rs 6-12-0 per Imperial gallon.	
1915-16 to 1920-21	Annas 8 per bottle or Rs 3-0-0 per Imperial gallon	Annas 10 per bottle or Rs 3-13-0 per Imperial gallon	Ditto	Ditto	
1921-22	Ditto	Ditto	Re. 1 1 0 per bottle or Rs 6-6-0 per Imperial gallon.	Rs 1-5-0 per bottle or Rs. 7-14-0 per Imperial gallon.	This year 67° U. P. was introduced in place of 60° U. P.
1922-23 to date	Annas 10 per bottle or Rs. 3 12-0 per Imperial gallon.	Annas 12 per bottle or Rs 4-8-0 per Imperial gallon	Ditto	Ditto	This year 60° U P was re-introduced.

Q. 67.—Locally-made imitations of imported liquor are taxed at the same rates as the foreign article. And as soon as they have paid the duty they have the same freedom from restriction on transport. I see no objection to the continuance of this arrangement.

Q. 68.—The imposition of supplementary duties on foreign liquor by Local Governments is bound to result in duties varying in different provinces. This is undesirable. It would also necessitate the employment of extra staff to check the importations of foreign liquor and realise the new duties on liquor entering a province or passing through one province to another. The result would be a considerable amount of inconvenience to the public: and I think the additional revenue would hardly be worth the trouble, particularly as the duty on imported spirits is still very high.

Q. 71.—I am not aware of the reasons for the imposition of different rates for *ganja* in different provinces. In this province it would be impossible to raise the duty without immediately encouraging a trade in wild *ganja*. *Charas* is not consumed in Assam and *bhang* is not manufactured in Assam.

Q. 72.—I consider this system satisfactory.

Q. 73.—The system of selling licenses by auction is not altogether satisfactory especially in the case of opium where the maximum sale price to the public is fixed by orders. A system of settlement by tender is being tried and will probably be found to be superior to settlements by auction. Either system realises equally good results from the point of view of taxation

Q. 74.—The restriction in the number of licenses cannot result in the increase in the value of the shops in those cases where the prices of liquor to the public are fixed by orders and the alcoholic strength of the liquor is fixed [illegible]

those tracts where the opium habit is very prevalent among cultivators.

Q. 75.—The present duty on opium is Rs. 45 and the cost price is Rs. 30. The amount of duty was fixed by orders contained in Government Notification No. 9917F. of the 19th November 1920. The cost price was fixed by the Government of India. The question whether the duty can be further raised is considered by Government every year and for the present it is considered unwise and impossible to raise the duty further; because it could not be so raised without increasing the maximum sale price of opium to the public.

Whether the other provinces can raise their duty to the Assam rate is a question on which I have no information.

Q. 76—Salaried persons are not employed in retail sale and distribution of opium in Assam. I have no experience of the working of this system. The effect of its introduction would involve a reduction of revenue unless at the same time the duty were increased. As the policy of the Assam Government is gradually to reduce the issue of the drug, no change in the present system seems to be necessary at present.

Q. 77.—The movement of smuggled opium is believed to be from the west through Assam towards Burma and the east. Paragraph 4 of the confidential letter of the Government of India No. 7378-7391-210 of the 18th September 1913 may be referred to.

There is no doubt that if by a revision of treaty arrangements the production of Malwa opium can be stopped and the cultivation of the poppy can be effectively prohibited in India States; it will be much easier to control smuggling. The stoppage of the supply from one of the principal sources would be a great gain. But I have no information whether such a measure is within the sphere of practical politics.

The manufacture of Government opium and the cultivation of the poppy in Indian States are under the control of the Government of India. Consequently

the prevention of smuggling should be dealt with by the Criminal Investigation Department. So far as Assam is concerned, I should like to see the preventive and detective staff of the Excise Department working under the police as a branch of the Criminal Investigation Department. The matter is under the consideration of the Local Government

Q. 96.—A tax is a levy in money in kind or in service, imposed by a ruler or under authority derived from a ruler on a subject. A rent is payment made in money, in kind or in service for the use of land or of buildings standing on land The terms are not mutually exclusive a rent may be a form of tax.

In India land revenue is a tax taken by the Government as owner of the soil in the form of rent. It really takes the place of a share of the produce of the soil In Akbar's settlement of 1571 it was one-third of the produce (page 275 Baden Powell's Land Revenue Systems of British India).

In some cases as in the permanent settlement of Bengal the Government parted with the rights of ownership almost completely in return for an annual payment of a sum now insignificant in comparison with the annual value of estates In raiyatwari settlements such as those of the plains districts in Assam (excluding the permanently-settled tracts) the Government has retained most of the rights of ownership, more especially the right to revise the land revenue Essentially however there is no difference, except as regards terms of settlement, in the relation between the Government and the payer of land revenue, whether the settlement be temporary or permanent.

Q. 97.—The expression "cultivator" includes two classes; those who pay land revenue to Government and hold their land under Government: and those who hold under private landlords to whom they pay rent. Any tax affects the person taxed, as it involves the sacrifice of the amount levied in money or its equivalent.

But, where the assessment is fair, the revenue or rent does not adversely affect the prosperity of the cultivator. Unfairly high assessments whether of revenue or of rent are bound to affect adversely the cultivator especially in bad seasons, more particularly in those tracts where landlords levy from time to time at uncertain intervals cesses amounting to a considerable portion of the rental But whether a revenue assessment or a rent is fair or unjust is in every case a question of fact: and the subject cannot be properly discussed except in relation to specific cases General statements of universal application on this subject are difficult to discuss and are therefore very convenient for those who use them on account of their vagueness.

In Assam the r[illegible]
and under them th[illegible]
marked manner. [illegible]
improved greatly i[illegible]
any one who is pr[illegible]
assessment is unfairly high. [illegible]

Moreover the system of assessment provides several different methods of easing the burden in times of calamity.

[illegible]

The proposal to have a record-of-rights prepared in Sylhet, which would have cured this evil to a large extent, was very unpopular with the land-holding (as distinguished from the cultivating) classes and was negatived by the Assam Legislative Council. The same body refuses to find funds for re-settlements in Assam. The fact seems to be that certain of the land-holding classes favour such changes as abolition of raiyatwari temporary settlements and the introduction of the permanent settlement to replace temporary settlements because those changes would keep the executive Government and the cultivator further apart and allow the land-holding class to intervene between the two. The Assam system of settlement as developed by Sir William Ward

and Sir Bampfylde Fuller has always aimed at direct dealings between the cultivator and the Government in temporarily-settled areas and to provide for the former security in his holding and independence. And this object has been attained.

A statement is attached showing the variations between 1901 and 1921 of the figures of population, cattle and cultivated area in Assam.

Q 98.—The statement of Sardar Gulab Singh may or may not be true of the place where he comes from or of parts of India, which he knows. If so, there should be little difficulty in having the facts enquired into, as the matter, if true, is serious.

As regards Assam the statements are largely void of truth.

The first statements does not apply to permanently-settled tracts. But as regards these it is pertinent to enquire whether he maintains that private Indian landlords assess their rents on cultivators with scrupulous attention to the raiyat's ability to pay, whereas the Government does not. If so, I do not understand why the permanent settlement-holder as a class so greatly objects to an enquiry into the actual rents taken by him and to a record of his tenants' rights. A comparison of the rents actually levied by landholders with the revenue assessments of Government would be very interesting. Obviously if the cultivator of the soil ought to be relieved of payment of revenue in raiyatwari tracts, he should also in future be relieved of payment of rent to his landlord.

As regards the raiyatwari tracts in Assam, the statement is totally false. During the whole of a settlement, the Settlement Officer's main care is to see that in no circumstances should there be an overassessment, whether on a village or on an individual. There are many checks applied:—

(1) comparison with rent of similar adjacent holdings,

(2) allowances by classification of land for bad fields in good villages and for bad soil generally,

(3) allowances in fixing unit rates for the general condition of the people,

(4) check by comparison with gross and net value of produce,

(5) rules restricting individual enhancements;

(6) publicity of assessment and power of assessee to enter an objection which is decided and then goes to the Government for consideration before assessment is confirmed.

But in addition there is the personal element: the judgment of the officer who has no grudge against the people he is assessing and no pecuniary interest *in the result of his calculations. It is not in the interest of the Crown to* overassess any raiyat. And the Settlement Officer is there to see to the interests of the Crown. The position of the private landlord, who probably does not trouble to make his own assessments, and of his staff are quite different: and they are to be judged by quite different standards.

The second statement is misleading and false. The comparison between the permanent settlement-holder although not at a fixed assessme between cultivators holding unde under private landlords. The for *title to it. The rent is fixed for* are not liable to arbitrary exact nominal legal title, are not secu if they displease the landlord or his agents. They cannot afford to fight their landlord in the courts, save in exceptional cases. Their rent is liable to enhancement. And they are liable to be made to pay cesses at the discretion of their landlord. Of course there are good and just landlords. But the position of an independent cultivator under Government is far superior to that of a tenant under a landlord. The former is his own master. The zamindar's raiyat is not so.

Statement showing increase of

Districts.	Population.			Cattle and buffaloes.			Cultivated area.			Remarks
	1901.	1921	Increase.	1901	1921	Increase.	1901	1921	Increase.	
1	2	3	4	5	6	7	8	9	10	11
Goalpara	462,052	762,523	300,471	84,932	701,614	616,682	67,653	621,623	554,[illegible]	
Kamrup	589,187	762,671	173,484	327,617	621,405	293,788	102,[illegible]	700,[illegible]	2[illegible],717	
Darrang	337,313	477,335	140,022	306,1[illegible]6	508,410	202,[illegible]	2[illegible]7,461	4[illegible]	1[illegible]2 [illegible]	
Nowgong	261,160	397,921	136,761	275 [illegible]	373,[illegible]	114,300	210,132	[illegible] 427	118 295	
Sibsagar	597,969	823,197	225,228	[illegible] 174	614,300	234 200	5[illegible]	611,[illegible]	142,445	
Lakhimpur	371,396	588,295	216,899	170 510	401,174	230 012	2[illegible]	2[illegible] 100	122 473	
Garo Hills	138,274	179,140	40,866		40,323	40,343	[illegible] 736	18,[illegible]	[illegible]	
Assam Valley Division	2,757,351	3,991,682	1,234,331 or 44 76 per cent.	1,734,631	3,[illegible]	1,795,[illegible] or 101 [illegible] per cent	1 831,039	3,2[illegible] 620	1,[illegible] or 77 7[illegible] per cent	
Cachar	455,593	527,228	71,635	225,993	27[illegible] 184	19,291	2[illegible],553	[illegible]3,9[illegible]	39,[illegible]	
Sylhet	2,241,848	2,541,341	299,493	1,[illegible],732	1,[illegible]	—353,047	2 [illegible],025	1,071,107	615 91[illegible]	
Khasi and Jaintia Hills	202,250	243,263	41,013					[illegible]	[illegible]	
Naga Hills	102,402	160,960	58,558					103,000	103,000	
Lushai Hills	82,434	98,406	15,972					70,000	70 000	
Surma Valley and Hill Division	3,084,527	3,571,109	4[illegible],571 or 15 77 per cent	2,224,0[illegible]	1,920,978	—303,755 or 13 6[illegible] per cent decrease	2,772 978	2,[illegible] 753	2[illegible] 12[illegible] or 9 [illegible] per cent decrease	
Sadiya and Balipara Frontier Tract.	...	43,350	..		21,814			7,306	7,306	
PROVINCE	5,841,878	7,606,230	1,764,352 or 30 03 per cent	3,059,250	5,472,342	1,613,093 or 38 21 per cent	4,[illegible],[illegible]	5,[illegible] 669	1,1[illegible] 861 or 25 06 per cent.	

NOTE —Population —Figures are copied from the Census Tables for 1901 and 1921
Cattle and buffalo and cultivated area —*Figures are copied from the Season and Crop Reports of Assam for 1901-02 and 1921-22*
We have not information about the decrease of cattle and cultivated area in Sylhet. Perhaps the previous figures are wrong]

The third statement may be true for the part of the country from which Sardar Gulab Singh comes It is untrue of Assam. Of course, there are bad and corrupt Government servants in Assam as elsewhere. But the revenue collection and land records staffs in Assam are drawn from the people among whom they live: and as they have an interest in hereditary appointments or in prospective pensions and as they are chosen as the most efficient of their class, they are probably superior in honesty as a class to those among whom they live and work. I have no doubt that in the matter of tyranny and extortion they are superior to the ordinary run of underlings employed by Indian landlords.

The time of payment of revenue in Assam is fixed after a careful considera- [illegible] es in different tracts. Where [illegible] he dates are the 15th January [illegible] 15th March: in jute areas the [illegible] of date are considered.

The cost of collection in Assam is given below:—

Rupees 5,53,600* on an ordinary land revenue of Rs. [illegible] The total [illegible]

* Estimate for 1924-25
† Actual revenue for 1923-24

Assam Surveys and the [illegible]
and Settlement and a small sum for management of estates under Act X of [illegible]

Q. [illegible].—The question is not clear The prices of produce form only one of a number of factors in estimating what would be a fair rent. In any case no one can estimate in advance the nature of the seasons in years to come and the outturn of future harvests The rents fixed allow for fluctuations in the seasons. There are also means of reducing rents in times of calamity.

Q 100.—With regard to cultivators the revenue assessment fixes the rent they shall pay for the use of their land. It does not fix the proportion of the raiyat's income which he is to surrender It is true that formerly (and to some extent at present in the case of private rents) the assessment was a fixed proportion of the gross outturn of his crop. A fourth of the gross produce was considered not unfair. To-day 50 per cent. of the gross produce is sometimes taken by private landlords.

Of course if it is held that a raiyat earning less than a fixed income of Rs 2,000 (or a [illegible] the argument would apply [illegible] aying rent to Indian landlor[illegible] ly by adopting this custom [illegible] The effect of any such prov[illegible] large areas as could be then [illegible] n would affect fractionization it is hard to say. In any case it would be necessary to retain a staff for assessing the income from all sources of each raiyat. Such a staff could not be trusted to make an assessment of any value, even if they could be trusted to be honest. In any case they would not be less numerous or more honest or less rapacious than the present revenue settlement staff, not that this is bad considering the class of men from which the staff is drawn.

Q. 101.—It has always been the policy of the Assam Government to encourage the raiyat to apply for mutation punctually and regularly in order that his title may be correctly registered and that our records may be correct and that the collection staff may thus know who is responsible for payment. To that end uncontested mutations if made in the field are done free: and the fees in mutation cases filed in office are low, *vide* rule 123 at page 102, Chapter III, Part II, Land and Revenue Regulation.

A correct record is worth the trouble involved in its preparation and maintenance from the point of view of both Government and the raiyat.

Fractionization of holdings is checked to some extent by the rule that no lease is issued bearing a revenue less than one rupee, however small the area of the holding may be. Whatever may be the case elsewhere, the proposal to tax mutations is unsuitable for raiyatwari areas in Assam.

Q. 102.—There are no state irrigation schemes in Assam; and I have no knowledge how they are run. Irrigation is not a natural resource but the artificial application to land of a natural resource (water). The landlord who spends money on irrigation is entitled to share in the resulting profit whether the landlord be the State or a private person.

Q. 103.—I presume the question applies to temporarily-settled areas. The alternatives stated in the question are not mutually exclusive: nor do they exclude other alternatives. I see no great value in uniformity in these matters. The conditions of towns vary and considerable discretion ought to be allowed in each case to Government and its local officers. I would be strongly opposed to any proposal to make over the settlement and assessment of land in towns to local authorities. It would be unwise to add land jobbing to their other activities. And there is no reason why the general revenues of a province should be deprived of a source of income of increasing value.

Q. 104.—I should not attempt it, until I had first decided exactly what I meant by the word "incidence". Incidence on what? Does the question refer to incidence on the individual, incidence on the total area, incidence on the settled area, incidence on the cultivated area, incidence on the family or on what?

I should be inclined to compare the incidence in each case noted above, taking out separate figures for land in towns and land outside towns, land permanently settled (in towns and outside towns) and temporarily-settled land (inside towns and outside towns).

The compilation would involve an amount of trouble probably entirely out of proportion to the value of the results. The best way to make a rough comparison would be to take typical examples of agricultural areas in different parts of each province, each area to be about 100 square miles, work out the figures wanted for each area and then compare them. The results would probably be nearer the truth than would be figures obtained by juggling with official statistical returns. For a true comparison should be based on a foundation of similarity. No comparison of assessments on soil units would be of the least value unless the central soil factor of 16 (for instance) was applied in the case of each province to a land class of exactly the same nature. It is not necessary for the purposes of settlement that a soil unit should represent the same value in different districts or subdivisions of districts.

I suggest that all incomes derived from rent of agricultural land (excepting rents of less than Rs. 100 a year realized by a cultivator) be treated as income derived from investment and not as income derived from agriculture and be taxed accordingly.

At the same time I would allow the landlord a full deduction for all sums spent on improvements, planting of trees, water-supply, schools, hospitals, roads, maintenance of public places, markets or on any other work intended for the benefit of his tenants and the surrounding countryside.

Mr. Barnes gave oral evidence as follows:—

The President. Q.—You are the Commissioner for the Assam Valley?

A.—Yes.

Q.—You are also the Commissioner in charge of Excise and Land Revenue?

A.—There are two Commissioners; both of them are in charge of these subjects, so far as their own division is concerned.

Q.—May we take your answer to question No. 10? The total land revenue is about 92 lakhs of rupees.

A.—Yes.

Q—About one-eleventh of that consists of items other than the land revenue assessment

A.—It is roughly about 10 per cent.

Dr. Paranjpye *Q*—May I ask you what the redemption of land tax is? Have you any rule allowing cultivators to redeem land revenue?

A.—I know very little about it, but I think there are rules under which permanently-settled holders can redeem the whole of their land revenue.

The President. *Q.*—It is probably the same thing as in the permanently-settled areas in Bengal.

A—I think it is very much so.

Q.—Do Government maintain their right to the fisheries in all the rivers?

A.—They do in all the rivers in temporarily-settled areas. In the permanently-settled areas, the zamindars have no right in the navigable channel of the Brahmaputra, and I think the same thing applies to the other rivers, because they were not included in their estates when the permanent settlement was made.

Q.—You have dealt with mutation in answer to question No. 101. Could you tell us what the amount of the fee is?

A.—I cannot tell you off-hand. I think it is given in the Assam Land Revenue Manual.

Q—You refer to revenue from quarries, mines and mineral oil. Can you tell us the details of the taxes levied on minerals, including mineral oil, in this province?

A—I do not like to give casual figures. I can get you the information. Part of the revenue from oil is, I think, levied on the outturn of crude oil.

Sir Percy Thompson. *Q.*—It is a sort of royalty?

A—That is so.

The President. *Q.*—In your Land Revenue Administration Report you refer to receipts on account of royalty on coal and oil and dead rent in oil. What are these?

A.—Dead rent is an acreage rate on the area covered by the lease

Q.—Are all these minerals on Government land or are some of them in permanently-settled areas?

A.—All are on Government land I think, and most of them in the Dibrugarh district

Q.—Can you give us a note of the various taxes or cesses levied on minerals in the province, how much goes to Provincial and how much to Central?

A.—Yes. I shall send you a note.

Q.—Then you have a poll tax levied from the Miris and Singphos in the Lakhimpur district.

A.—That is a tax in lieu of land revenue. A great many of these people are nomadic, they live in unsurveyed areas and the most convenient way to assess them is to levy a poll tax.

Q.—Is the poll tax different from the hoe tax?

A.—They are really different names, but practically they are assessed on the household If two families live in the same house, they would be regarded as two families.

Sir Percy Thompson. *Q*—Is it a fixed sum?

A.—Yes, a fixed sum per house; in most of the hill districts, it is Rs. 3 and Rs. 2.

The President. *Q.*—The Land Revenue Regulation says that the Chief Commissioner may direct that in lieu of the revenue assessable on any land there shall be collected an annual tax on each male person who has completed the age of eighteen years taking part in the cultivation of the land at any time during the year of assessment, or on each family or house of persons taking part as aforesaid.

A.—As a matter of fact it is generally levied on houses in the Naga Hills and in the Garo Hills but if two families live in the same house, they would be regarded as two houses.

Sir Percy Thompson Q.—Is it Rs. 3 a family?

A.—It is Rs. 3 in the better-off areas and Rs. 2 in the others.

The President Q.—The poll tax is levied from the Miris and Singphos in the Lakhimpur district, and house tax is levied in all the districts of the division except Goalpara and Darrang

A.—I think the poll tax is levied on men over 18 years of age, but I am not sure

Sir Percy Thompson Q.—Where you do not have land revenue, you can have either a poll tax or house tax and in some districts the poll tax is taken on every male over the age of 18 and in others the house tax is a tax on families

A.—The house tax is really on the head of the house.

Q.—Do you remember what the rate of the poll tax is?

A.—I cannot say.

Q.—It must be something less than Rs. 3.

A.—It is not on each member of the family.

Q.—The house tax is on the family as a whole?

A.—It is really on the head of the family.

Q.—A family may consist of 3 or 4 adult male members.

A.—In practice that does not arise, because when a young man gets married, he generally moves to another house.

Q.—But a family may consist of children of, say, 19, 20 and 21 years of age.

A.—That happens occasionally. If they were living with their parents, they would be covered by the assessment on the head of the family as regards house tax

Dr Paranjpye Q.—Who assesses this poll tax or house tax?

A.—In the Naga Hills the villages are counted every two years by a British officer or by one of the Extra Assistant Commissioners.

Q.—Have you got any village officers in these villages?

A.—They are all illiterate, the headman of each village is the representative of government in the village.

The President. Q.—Is not the poll-tax the same as the capitation tax? In column 9 of the statement you refer to poll, capitation, house and hoe tax.

A.—They are really different names, but very much the same

Q.—There is another tax called *dao* tax.

A.—I do not know much about it; I think it is practically the same as the hoe tax

Q.—Can you give us any idea of the extent of these taxes? Are they levied in all the districts in the Assam Valley Division except two?

A.—They are generally levied in the districts of Kamrup and Nowgong on tribes living in the low hills.

Q.—That does not mean that they are levied on all inhabitants living in these districts.

A.—They are only levied in the tracts inhabited by jungly people who are not assessed to land revenue.

Q.—Practically these taxes are all the same.

A.—They all work out to very much the same. They are levied in slightly different ways in different districts, having been introduced by different officers.

Q.—Are they levied on the whole tribe or on the members of the tribes that cultivate?

A.—It is generally on the household.

Q—Whether they have land or not?

A—In most of these cases they may not have individual property in land. They clear a jungle, keep it for two years and then throw it up, so that the amount of land taken up by each family is uncertain and changes every year. They decide this year that they would take up a certain area; after two years that area is abandoned and a new one is taken up, so that you never can know how much land *each man has got in a particular area, because it* depends on the capacity of the family for work. And if there is sickness in any family the women also go out to work.

Q.—So it comes to this that you tax every family?

A.—Practically that is what it means.

Q.—You allow jungle clearing freely?

A.—In certain areas it is allowed and among certain tribes. The best instance is in the Garo hills where the village boundaries are known and the particular village may cultivate anywhere inside the village boundaries free of any tax. But members of other villages may not cultivate inside that area without paying rent to the head of the village

Q.—Are they allowed to take also water?

A—That is a question which has not arisen.

Dr. Paranjpye *Q.*—What do they do with the timber?

A—They generally burn it.

The President. *Q*—Are the 'grazing dues' payment for grazing in forests?

A.—Partly. If they are for grazing in reserved forests, it goes to the forest revenue. But it is generally for grazing in what are known as "unclassed State forests," that is, land not included in reserved forests but at the disposal of the Government.

Q.—Is the permission to graze for a specific piece of land or is it simply on the number of cattle?

A.—There are certain areas reserved for professional graziers, but they are not obliged to graze inside those areas. A question has arisen about the liability to grazing tax of raiyats' cattle and the rules are being revised and the matter is under discussion. The old rules are unsatisfactory because the question has to be decided in each case whether a man is a professional grazier or not; and if he was not he was exempted

Q.—It is practically a tax on the professional grazier?

A.—Yes, it is a tax on his trade really.

Sir Percy Thompson. *Q.*—You were talking now about mutation fees. I see that the total for the whole year is only Rs. 65 (Col. 5 of the Statement). It is very small.

A.—A petition for mutation ought to be stamped. Probably the revenue will come under stamps.

Q.—The whole total of these miscellaneous items comes to about 11½ lakhs of rupees out of a total of 92 lakhs. It seems to be a large proportion.

A—Yes; but it is entirely separate from the ordinary land revenue. It is merely a collection of miscellaneous items.

Q.—What is your real land revenue?

A.—The figures are given in page 8 of this year's budget. The revised estimate for 1924-25 is 90.20 lakhs for ordinary land revenue; the accounts for 1923-24 are Rs. 90,67,921.

The President. *Q.*—With regard to question No. 12, the point I should like to know is what you would include in calculating the total taxation of the province; *because we are instructed to make adjustments within the present* limits and we are asked whether any part of the revenue from forests falls within the definition of tax.

A.—It depends upon what is the definition of 'tax.'

Q.—Roughly speaking, it is a compulsory payment for the good of the State for which the payer gets no specific return; that is the limitation imposed by most of the modern writers. If you accept it, then does forest revenue come under tax?

A.—I should call it a tax.

Q.—Don't you get a specific return in grazing, timber and so on?

A.—No, I do not think so. You might get the timber without or with the tax.

Q.—For any payment you make to the Forest Department you do get a specific return?

A.—It is not quite that. You do not get the thing unless you make the payment.

Q.—In the case of income-tax you get a general return from the State.

A.—I think the return has got nothing to do with the taxation.

Sir Percy Thompson. *Q*.—If it is not a tax, you get a *quid pro quo* for your payment. If you get wood for your payment, then it is not a tax.

A.—But if you can cut your timber free in the forest?

Q.—You draw a distinction in your answer to question No. 96. You say "A tax is a levy in money, in kind or in service imposed by a ruler or under authority derived from a ruler on a subject. A rent is payment made in money, in kind or in service for the use of land or of buildings standing on land." In the one case you get a specific return when you call it a rent and not a tax, and in the other case you get no specific return and you call it a tax.

A.—But then rent is also a tax. Tax is a wider term than rent. Tax may take the form of rent or duty or anything else.

Q.—The terms 'rent' and 'tax' are apt to be used loosely. Take, for instance, the case of England, where the tenant pays rent to the landlord. You would not call it a tax.

A.—Because it is not taken by the State.

The President. *Q*.—Then we take it that you consider that you ought to include forest revenue in the total taxation?

A.—I certainly think that forest revenue is a tax. It is a means of taxing the people for the use of timber.

Sir Percy Thompson. *Q*.—When I want some firewood I use my money. How is it different from my going into a shop and buying?

A.—Only the difference is that in the one case the State is the person to impose the price that you have to pay for the privilege of cutting in the State forests. It is not the case of the State having the firewood for sale. If you want to take firewood from the Government forest, you have to pay a certain sum of money before you do it irrespective of the market value of the firewood.

Q.—On that analogy surely the price you take for railway tickets is a tax.

A.—If it is a State railway, certainly there is an element of taxation in it. A tax is fixed without reference to the market values.

The President. *Q*.—But supposing you have two forests, one belonging to the State and the other to a private landholder; and the State sells the timber at the same price as the private landholder sells it. Do you still say that if you buy from the State you are paying a tax and if you buy from the private man you are not?

A.—Yes. I think it is correct to say that the payment made for permission to extract the forest produce is undoubtedly a tax.

Sir Percy Thompson. *Q*.—If the whole land is nationalised, then taxes would go up by leaps and bounds; because things which in the past had been payments to private individuals would become taxes in a system of nationalisation because they are payments to Government.

Q—Whether they have land or not?

A.—In most of these cases they may not have individual property in land. They clear a jungle, keep it for two years and then throw it up, so that the amount of land taken up by each family is uncertain and changes every year. They decide this year that they would take up a certain area; after two years that area is abandoned and a new one is taken up, so that you never can know how much land each man has got in a particular area, because it depends on the capacity of the family for work And if there is sickness in any family the women also go out to work.

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The President. *Q.*- [illegible] to know is what you [illegible] province; because we [illegible] limits and we are ask[illegible] within the definition of tax.

A.—It depends upon what is the definition of 'tax.'

A.—That was because the thing had not been explained properly to the bidders. This year I had made it known that extravagant bids would not be noticed and the consideration of the Committee would only be given to reasonable bids. Therefore in the two districts in which it has been tried, it is working perfectly well. We say we are not going to accept a bid above a certain amount. Of course it will leave a profit to the man. This is simple and solely to see that he may have no excuse for illicit practices.

Q.—But does it make him less liable to resort to those practices?

A.—There are lots of respectable people who won't take these licenses on any other terms because they do not want to take the risk of going to jail or being subjected to heavy penalties.

Q.—Your view is that if you have the system of auction, people know the biddings will be high and decent and respectable men won't compete. On the other hand, if you have a maximum there will be a chance for decent men.

A.—That is what I mean. If you are going to have unlimited auction, the man who goes in for illicit practices always outbids the honest man.

Q.—How are you going to select men when they do not compete in the auctions?

A.—Selection will be made among the competitors.

Q.—The report says that everyone offers the maximum. How are you going to distinguish the honest from the dishonest?

A.—Maximum there means the maximum bid at which you are going to settle. It is not the maximum of the extravagant bids but the maximum fixed by the Commissioner after allowing a certain percentage of the profit.

Q.—But do the competitors know what the maximum is?

A.—They are not supposed to but they generally have a working idea. For instance take the opium shops here. They know that a profit of Rs. 3 per seer is allowed, and what the maximum sale in a shop is likely to be.

Dr. Paranjpye. *Q.*—Does it subject Government officers to very strong temptation?

A.—I do not think so.

Q.—When this system was tried in Bombay it was found that the whole excise staff was corrupt. It was finally given up.

A.—I have no reason to think so as regards Assam.

The President. *Q.*—In other provinces they have been reduced to selecting licensees by lot.

A.—That was tried by a Deputy Commissioner this year. He put the names of the selected licensees into a box and drew lots with the result that a lot of decent people who had carried out the rules lost their shops simply as a matter of luck. So I had to reverse the whole thing.

Q.—On what principle do you go?

A.—Provided they had not committed any offences in the previous year, wherever possible I put in the old licensee if he was a good man.

Sir Percy Thompson. *Q.*—The unlimited auction system breaks the honest man and helps the man who commits most illicit practice.

A.—I think that will be the natural effect.

Q.—If you adopt the system of taking the old licensee, it will create a sort of vested interest.

[illegible]

promised better behaviour next year.

The President. *Q.*—If you have a weaker successor, the old licensee will have a permanent settlement.

A.—I do not think I will have a weaker successor.

A.—That will be the case if you antioralise the permanently-settled land in Bengal; the money will go to the Government.

The President. *Q.*—In answer to question No. 28 you say "Under representative institutions the liability to perform the duties of citizenship would seem to form the qualification for representation." Would you regard service as one form of taxation and one form of contribution?

A.—Yes, I regard compulsory service as a form of taxation.

Q.—You would advocate service as a form of taxation?

A—As a matter of fact we do requisition services in Assam. In some cases we requisition free service

Q.—We have witnesses who recommend that instead of taxation on the poorest classes you can take some service from them.

A—There is a great deal to be said for it in regard to savage people and it is actually done, for example, in the case of an expedition. There is an ambiguity as between taxation in money and other forms of taxation. My point was that taxation in money was not a necessary qualification for citizenship.

Q—You would not advocate giving voting power to people who pay no tax and giving them power to tax the rich?

A—No

Q—Would you confine taxation to non-essentials?

A.—Yes, if it could be done

Q—But is it not the modern idea that everybody should know what he is paying and why he is paying in order to control his representatives in the Legislature?

A—That is a view which I do not sympathise with at all.

Q.—You do not feel that indirect taxation weakens the sense of citizenship? Does not your direct taxation give you a very live interest in what your representatives are doing in the Legislature?

A.—I do not think so.

Q.—With regard to excise, in answer to question No. 66, you say "The vendor has to pay a license fee which is calculated as a vend-fee realised on the London proof gallon" I see a reference elsewhere to other methods; one is the auction method and another is the tender method.

A.—Yes, the auction system is becoming rather unhandy just at present because everybody knows what the maximum bid will be.

Q.—Then, why do you impose the maximum bid?

A.—You have to do that; otherwise they bid so high that the shops cannot honestly run at a profit. For instance, take opium. They would offer bids which would leave them no profits at all, with the deliberate intention of making profit out of illegal practices.

Q.—You will have to prevent such practices, by taking drastic measures against dishonest vendors.

A.—Is it correct for the State to make settlements knowing that you are driving the settlement holders by competition to resort to illegal methods?

Q.—You don't drive him; he does it himself. If he deliberately goes into the business with the intention of making illicit profit, you can break him and the same thing would not happen again.

A.—We fix the maximum bid and if there are a number of persons who bid that amount, we make a selection out of them.

Q.—Does it work better?

A.—Yes; much better. At present they are doing it by tender for each shop. The tenders are opened by the Deputy Commissioner and after consultation with an Advisory Committee he selects the settlement holder.

Q.—I find from the last year's report that the tenders were extravagant.

A.—That was because the thing had not been explained properly to the bidders. This year I had made it known that extravagant bids would not be noticed and the consideration of the Committee would only be given to reasonable bids. Therefore in the two districts in which it has been tried, it is working perfectly well. We say we are not going to accept a bid above a certain amount. Of course it will leave a profit to the man. This is simple and solely to see that he may have no excuse for illicit practices.

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A.—I have no reason to think so as regards Assam.

The President. Q.—In other provinces they have been reduced to selecting licensees by lot.

A.—That was tried by a Deputy Commissioner this year. He put the names of the selected licensees into a box and drew lots with the result that a lot of decent people who had carried out the rules lost their shops simply as a matter of luck. So I had to reverse the whole thing.

Q.—On what principle do you go?

A.—Provided they had not committed any offences in the previous year, wherever possible I put in the old licensee if he was a good man.

Sir Percy Thompson. Q.—The unlimited auction system breaks the honest man and helps the man who commits most illicit practice.

A.—I think that will be the natural effect.

Q.—If you adopt the system of taking the old licensee, it will create a sort of vested interest.

A.—You can't have a [illegible]

[illegible]

promised better behaviour next year.

The President. Q.—If you have a weaker successor, the old licensee will have a permanent settlement.

A.—I do not think I will have a weaker successor

Q.—From the figures you gave, there has been considerable illicit distillation.

A.—Yes. The increased number of cases arose partly because one month we took special measures to suppress offences.

Q.—If you had a competent staff working all the twelve months, you would have a larger number of cases.

A.—That is quite so. But from the revenue point of view, I do not know whether we should make a profit.

Q.—The review says that it is idle to pretend that these figures give any indication as to the illicit traffic.

A.—The fact of the matter is that distillation goes on in remote places where it is very difficult to control.

Q.—In tea gardens?

A.—Not much distillation, but a good deal of brewing.

Q.—The sale of rice beer is prohibited?

A.—But anybody can brew it for his own use.

Q.—It is stronger than country spirit?

A.—Not in every case Ordinary rice beer is not strong. The Cachari liquor is strong During *pujas* they brew particularly strong liquor.

Q.—Is there much drunkenness on *pachwai?*

A.—There may or may not be.

Q.—No attempt is made to control it?

A.—Beyond the prohibition of selling and prosecutions, nothing.

Q.—Are there members in the Local Council who are for prohibition?

A.—There are certain members.

Q.—Do they know how *pachwai* is being used?

A.—Some go so far as to excommunicate people when they drink anything.

Q.—Do you get any duty on foreign liquor?

A.—It is a question which has just been raised. We have now made arrangements by which the duty will be credited to the Assam Government.

Q.—You have not got last year's credit as yet?

A.—I do not think so.

Q.—On what principle do you fix the fee on foreign liquors?

A.—Generally we fix a lump sum fee. Country liquor license fees are fixed according to the number of proof gallons sold.

Q.—You have not got the Bengal system of decreasing the proportion of profit as the sales increase. It has been very successful.

A.—No. I think that would be a splendid thing.

Q.—Do you get wild *ganja* here?

A.—Yes. People collect it and sell it. If they cultivate it the plant improves and you get a stronger intoxicant.

Q.—You refer to its being mixed with Bengal *ganja*. Does it bear any resemblance?

A.—They try and mix it.

Q.—You have got a tremendously heavy duty on regular *ganja* and you are allowing free cultivation of something which is comparatively similar.

A.—You cannot help it; it is growing everywhere.

Q.—Would it be impossible to prohibit the cultivation of hemp by a heavy duty?

A.—You cannot prohibit the natural growth on waste lands.

Q.—You pay 25 rupees per seer?

A.—I cannot say except roughly.

Q.—That is a very extraordinary price to pay, is it not?

A.—I do not think so. That is a matter of contract between the *golahdars* and vendors.

Q.—Does not Government make a contract?

A.—I do not know. I cannot tell you as I have never enquired into this point.

Q.—You say you fix maximum prices for opium, do you succeed in enforcing them?

A.—Yes. Very heavy penalties are imposed. If anybody is found selling opium above the maximum price he will get his license cancelled and lose his two months deposit. Rather than increase the price, they sell by short weight. And the consumers inform us where they get short weight.

Q.—What do you think of the proposal to have pills manufactured at the Ghazipur Opium Factory and issued for sale in sealed bottles?

A.—I think it will be a very interesting experiment: but the experiment will have to be tried very carefully. Supposing there is found to be a bit of mud in the pill instead of opium. Government will have to be very careful in manufacturing this.

Q.—Don't you think the factory would do the work honestly?

A.—I do not know. If you have thousands of seers of opium and are making thousands of pills, I think it will be very difficult to control. I would like to try this experiment as a prevention of short weight selling.

Q.—You register the consumer in certain districts?

A.—Yes, in Goalpara district it has been going on for one year. It is being introduced in another district this year and next year we are going to introduce it in the whole of the Assam Valley Division.

Q.—Opium is used very little for smoking, but mostly eaten?

A.—Yes. A man from outside who comes into Assam will be allowed for a few weeks to obtain a special pass, but the idea is if he does not obtain that permit, he will have to give up opium or stay away.

Q.—Is opium commonly used as a domestic remedy?

A.—Yes, that is the reason why so many people take to opium. They begin to eat it as a remedy first. But the Assamese look with great contempt on opium eaters.

Q.—Does the shop ration correspond to the total of the registered consumers' ration?

A.—That will be when the registers are completed. As the opium is sold in whole seers, the shopkeeper will have always a little in hand. We cannot, therefore, work it out exactly. The total ration of a shop won't be fixed exactly with reference to the total amount of consumers' demand on that shop. You cannot issue to the vendor from the treasury a fraction of a seer.

Q.—Is not your system that you have a definite quantity to be sold at fixed prices to fixed people?

A.—No.

Q.—You cannot issue opium through dispensaries?

A.—You could not ask the doctors to give their time for this work. After all, you allow Rs. 3 to Rs. 5 profit on each cake of opium. The vendor likes to have opium in his shop even if you allow a very small profit because it enables him to push his trade in other things.

Q.—Would it not be the best plan to deal with it?

A.—I think our present plan works quite well and saves lot of trouble.

Q.—You refer us to a circular of 1913, can you tell us what that circular is?

A.—Here is the circular I have referred to.

Q.—Do you favour the formation of an Excise Criminal Investigation Department?

A.—I do not think that in Assam the separation of Excise and Police detective work is very sound. I would prefer to have it under one control? We

are making experiments now, with a view to letting the police do the detective work.

Q—You have abolished some excise staff?

A.—Yes, that was done as a measure of economy. As a matter of fact our excise officers are not good detective officers

Q—Don't you find that the Police have got much more important work to do and tend to neglect excise work?

A—But there are plenty of rewards given for these cases and this will induce the police to do this work. Of course we only want them to do this work in conjunction with the excise staff. At present the police do not ordinarily touch excise cases.

Q—In Sylhet you have abolished the excise staff?

A.—Yes, the work has been handed over to the police. It is worked by the Superintendents of Police. I do not know much about it. I think the Inspectors have been abolished. In the Assam Valley we abolished the Excise Superintendent in one district.

Sir Percy Thompson. *Q*—You say the restriction in the number of licenses cannot result in the increase in the value of the shops in those cases where the prices of liquor to the public are fixed by orders and the alcoholic strength of the liquor is fixed by Government. Supposing you have 10 liquor shops in a given area, will they not be more valuable than if you have 100 shops in the same area?

A.—That might be But there is no monopoly value over and above the profit you would get before the amalgamation. There would be no increase in profit as it would not be a monopoly system as the maximum price is fixed.

Q—Don't they make 10 times the profit?

A.—The Government would not get more profit. You don't get any monopolist profit.

The Hon'ble Sardar Jogendra Singh. *Q*—Your point is that land revenue is in the nature of a tax or the element of taxation is not absent from it?

A—It is a tax taken in the form of a rent.

Q—Your criterion would be that the prosperity of the tenant continues to improve steadily as has happened in Assam?

A—If it is properly worked.

Q—You favour no change in the policy?

A—I think in our raiyatwari settlements we are doing very well and I think the system is quite good.

Dr Paranjpye. *Q*—Do you think that cultivators in those districts under permanent settlement are a good deal less prosperous than in the raiyatwari areas?

A.—I do not know if I would say that; but I think the cultivators in the permanently-settled districts are in a rather less favourable position than the small tenant under the Government.

Q.—Which are the more prosperous districts generally speaking?

A.—It is very difficult to say. Personally I think the raiyat under the Government is by far better off than one under the zamindar.

The President. *Q.*—You have an extraordinary variety of systems. Could you illustrate some of them? Permanent settlement is the same as in Bengal?

A.—Yes.

Q.—Temporarily-settled is ordinary raiyatwari?

A.—Temporarily-settled periodically estates are those over which the raiyat has got a permanent right of occupancy, hereditary and with the right of selling subject to resettlement of rates of revenue. Then there are the annual leases which do not give him any right at all, but unless the raiyat gets a notice six months before the end of the settlement he has got the right to a renewal

Q.—What are the annual leases?

A.—They are applicable to people who clear the lands and then begin to grow crops on them They are generally for fluctuating cultivation The lessees are assessed only on the area they take up actually for cultivation. Supposing a raiyat wants to take a new plot of land he can go and work on the land and every year it is measured up and settled. Anybody who is found in possession of a bit of land is assessed.

Q.—There is no land revenue attached to the land?

A.—No [illegible] cular field. [illegible] land taken [illegible] in which th [illegible] for that class.

Q.—At a settlement do you settle the whole of the cultivable land?

A.—Well, it depends upon the resettlements. You only settle lands actually found in possession of someone You do not settle waste land.

Q.—What we do in Madras is we settle the whole village subject to certain *rules and any man can go and take up the area and pay the rates.* It is assumed to have been taken under raiyatwari settlement?

A.—In that case when he takes up land in that way does he get automatically transferable right? In Assam it is not so

Q.—You have different rates for ordinary cultivation and special cultivation?

A.—Special cultivation means where land is taken up for crops like tea where the amount of capital is considerable. They are charged at a lower rate

Q.—Then you have ordinary raiyatwari with periodical full rates?

A.—Yes.

Q.—Then you have *nisf khiraj*?

A.—Yes, they are grants granted by the old Ahom Kings generally to religious institutions to be held at half the rates of rent levied on the ordinary cultivation The ordinary cultivation is what they call at *khiraj* rates and *nisf khiraj* means half of the *khiraj* rates, and these grants are assessed at the half rates They are settled and classified exactly as the ordinary cultivation *Nisf khiraj* are periodical and classified for one year, 10 years, 20 years. You will find the figures in Appendix I, page 3, L. R. Report. The rent is not permanently fixed but they are transferable and the holder has got the right of occupancy.

Q.—Then you have special settlements, what are they?

A.—I cannot say off-hand. I can only give you the reference. It is in the Introduction to the Land Revenue Manual

Q.—You take special rates for town lands?

A.—Town land settlements are made separately.

Q.—Under what law?

A.—I think it is under the land revenue regulation under the orders of the Chief Commissioner.

Q.—You have waste land grants?

A.—Yes, under the old rules. They are old tea estates when tea was first cultivated. You will find the description of it in the same Introduction.

Q.—Fee simple grants?

A.—There are very few fee simple grants.

Q.—The bulk of the ordinary cultivation is periodical on full rates, temporarily-settled at periodical full rates?

A.—That is the main thing.

Q.—Did your Council negative the funds asked for for making a record-of-rights?

A.—They did last year, but they have passed it this year.

Q.—What is the effect of that on the programme?

A.—Nothing; Government certified it.

Dr. Paranjpye. *Q.*—As regards private landlords you say that you doubt whether there is any reason to suppose that there are many cases of oppressive rents But the tenants, as compared with the Government raiyats, suffer from insecurity of tenure and liability to forcible eviction. Haven't they got any occupancy rights?

A.—Yes, they have occupancy rights, I think, under the Act of 1869, but forcible eviction is a negation of rights That happens everywhere. You may have the right to remain on your land, but if somebody actually turns you out, your rights have not much value.

[illegible]

due to?

A —It is due to the very large increase in cultivation due to migration from Bengal, and extension of cultivation by the indigenous population.

Q.—The population has gone up from 4¼ to 7½ lakhs; on the other hand, the number of cattle increased by about nine times

A.—There has been a great deal of increase in professional grazing.

The President. *Q.*—Is there such large migration taking place from Bengal?

A.—Yes

Q.—*Do you restrict them to a particular area?*

A —We are trying to keep them apart from the Assamese

Q.—The settlement rate for the Assamese is on the basis of a return considerably less than what the Bengal cultivator would get out of the land?

A.—An Assamese raiyat taking up a land does not pay less than the Bengali who takes up a similar piece of land.

Q.—The Bengali does not pay more?

A —No

Q —Actually the Bengali would get a very much bigger return.

A —Yes, that is because he is more industrious.

Q.—If you leave the Assamese out of account and settle lands at rates calculated for the more industrious class, you would get much more land revenue.

A.—I suppose so; it is rather a difficult question to answer, because new settlers are entitled to consideration. Once they settle in, they would improve the land and make larger profits.

Q.—Is it not a fact that your settlement is advantageous to the Assamese although he is a lazy cultivator?

A.—I do not think that; except in certain out of the way places. Our settlements are lenient. There is no discrimination made between one class of persons and another.

Q.—The discrimination is in trying to keep the Bengali out of the Assamese village.

A.—That is only done because they do not get on well—it is done to avoid crime.

Dr. Pa[illegible] find that [illegible] while the [illegible] decreased [illegible] against increases in practically all the other districts?

A.—One reason is that there is very little waste land left in Sylhet.

Q.—That does not mean that the cultivated area will diminish by five lakhs of acres.

A.—I am afraid I cannot make any statement off-hand. I will try to find out why it is and send you a note.

Q.—You say that landlords levy cesses at their discretion; are there no laws to prevent them from levying these cesses?

A.—The raiyats cannot put the law into force

Q.—It appears to be an extraordinary state of affairs that the raiyats are liable to be forcibly evicted from their lands and cesses can be levied upon them at the discretion of the landlords.

A.—It is done all over Bengal

The President. *Q.*—Is jute largely cultivated in Assam?

A.—The area under jute is increasing very rapidly.

Q.—A suggestion has been made that Bengal should have the export duty on jute. If Assam has any considerable area of jute under cultivation, Assam would also ask for a share of the duty

A.—Why not? That brings us to the export duty on tea I am not prepared to speak for the Government, but personally I and other men think that it is unjust that the export duty on tea should be taken by the Government of India and that the Provincial Government should get nothing out of it.

Q.—Would not the Government of India say that you have an opportunity of taxing their land?

A.—The duty on tea was put on as a war measure on the distinct understanding that it was to be temporary. It is apparently going to continue, which is not fair. Anyhow it is a duty on an article which is grown in Assam, it has to compete with foreign tea and if we have to pay the tax, we do not see why we should not get the result of it

Q.—Is it not a fact that the levy of the duty has been made possible by the extraordinarily low incidence of land revenue in Assam?

A.—That would be an additional reason to give us the tax The land revenue rate is light because the desire was to get the province developed. Tea is a very fluctuating industry There is a boom now, sometimes you get periods of depression

Q.—Could you give us any idea by reference to particular estates what proportion the land revenue bears to the profits of the estate?

A.—I cannot personally, but it is very small

Q.—You say that the cost of collection of land revenue is 19 7 per cent.; does not that exclude the overhead charges for Collectors and Commissioners?

A.—It includes the collection charges, the cost of the Assam surveys and the Land Records staff, *as well as the charges for survey and settlement*

Q.—But does that include any part of the overhead charges?

A.—It includes charges which ought not to be included, *e g*, the professional survey staff; it does not include the general establishment staff

Q.—In your settlements do you have anything corresponding to what we call the commutation rate? One of the factors taken into consideration in fixing the rates for settlement in Madras, for instance, is the average price of standard grains for the previous twenty non-famine years.

A.—We have nothing like that, but the prices over a period of years are considered.

Q.—What is the term of your settlement?

A.—The last settlements were for 20 years, they are just falling in now and the proposal is that the next settlements should be for 30 years

Q.—Is there not a considerable difference in the share of the economic rent that is taken between a settlement that is falling in now and was made 20 years before the War and a settlement made last year?

A —There is bound to be a difference in the relation between the rent taken and the actual value of the total produce

Q.—That is an inequality you want to get away from?

A.—No

Q.—You say that the revenue assessment does not fix the proportion of the raiyat's income which he is to surrender.

A.—He may have income from all kinds of sources.

Q —That is not income from land

A —The income of the family from all sources is not considered in making a land revenue assessment The income from land is practically the same as the net value of the total produce This income will be calculated practically on the net value and the revenue assessment has a relation to the gross produce, that, however, is only taken as a guide.

Q —Is there no attempt to get at 50 per cent. of the net?

A —If we find that the assessment is 50 per cent of the net value in any case, that case will be seriously looked into to see what is happening.

Q —But you do not attempt to work to that?

A —No. The relation of rent to value of produce is simply a guide.

Q.—Please refer to question No. 104. What we are trying to arrive at is in some way to compare the land tax in different provinces, and obviously it is no use dividing the land tax by the population or by the area. The only thing that would help us to arrive at the comparative incidence seems to be *to take the proportion of the economic rent as compared with the net produce.* If one province takes a fourth of the economic rent, another a fifth, another a sixth and so on, you will have some idea of the comparative incidence of land revenue

A.—It would be all right if your land yielded the same every year, but it does not

Q —To get at the economic rent, would it not be as good as anything to take the rents fixed by the settlement officer?

A.—You would then get very high rents in areas where the population is very dense, and low rents in sparsely populated areas

Q —Would not your land revenue also be low in a place like that?

A —Probably where there is a great deal of waste land about, your land revenue would be low, unless the soil was exceptionally fertile

The Hon'ble Sardar Jogendra Singh *Q* —You have suggested that the best way to make a rough comparison would be to take typical examples of agricultural areas in different parts of each province, work out the figures wanted for each area and then compare them.

A.—That would be a very expensive thing to do; and I do not think it would be possible to get the results required in this way.

The President. *Q* —Would not you do it by a process of sampling?

A.—I do not think you would get a general average of any value.

Q.—Would you tax all rents to income-tax?

A.—That is a suggestion I have thrown out for discussion. I would certainly differentiate between the man who actually cultivates the land (and who, I think, ought to be entirely free from income-tax so far as agriculture is concerned), and the man who simply receives rents

Q —Your Land Revenue Administration Report for 1923-24 says that it is now nearly five months since the salt tax has been reduced to its former level, but no appreciable reduction in the retail price is apparent. Have you any idea of the cause of that?

A —I have no information at present on the subject. As a matter of fact, whenever the salt tax goes up or down, the effect is never passed on wholly to the consumer.

Q.—In this case it does not seem to have passed on even partially.

A.—Quite likely; I have not made any investigation on the subject.

Mr. C. GIMSON, I.C.S., Officiating Commissioner of Income-Tax and Inspector-General of Registration, Assam, was next examined

Written memorandum of Mr. Gimson.

[illegible] efore concerns the Govern- [illegible] the Income-tax Department [illegible] On general grounds I do [illegible] of income-tax The tax is admirably adapted to a highly developed industrial community and to other communities which are sufficiently advanced to maintain regular accounts Where these conditions do not prevail, as in Assam, the incidence of the tax is uncertain and probably inequitable Moreover, so long as so-called agricultural incomes are exempted, the tax is fundamentally unfair, because the charge upon agricultural incomes through land revenue is not comparable to the charge of income-tax upon incomes from other sources

If it is decided to increase the rates, I suggest that no increase should be imposed on incomes of less than Rs 3,000 a year, but that the graduation should be steeper after that. To propose rates of increase without knowing the sum which it is desired to raise would be useless

Q. 34—Unless it is necessary to raise extra revenue from income-tax, I would not interfere with the present graduation until the public has been educated into a better appreciation of this form of taxation If extra revenue is to be raised, the rates on incomes of over Rs 3,000 and upwards can be increased and more steeply graduated and income-tax can be levied on incomes of less than Rs. 2,000 as suggested in the answer to question No 40

Q. 35.—I do not advocate any differentiation in favour of earned incomes or of sums shown to have been invested in productive enterprise Further experience in the working of income-tax seems to me to be necessary before such refinements are introduced in this country I believe that the application of the principle has proved very complicated in England and that a large body of informed opinion there disapproves of the distinction

Q. 36—It is not practicable without proceedings of an inquisitorial nature to make allowances for the number of persons supported out of particular incomes; but allowances for a wife (or even wives) and children might be made

Q. 37—I have no opinion to offer

Q. 38.—I can see no justification for the exemption from income-tax of incomes derived from agriculture In Assam it would be quite unnecessary to draw any distinction between the actual earnings of the farmer and the income of the absentee landlord or any other class, because the actual farmer will rarely or never have an income assessable to income-tax The number of working farmers whose income from agriculture exceeds Rs 2,000 a year cannot be as much as 1 per cent of the whole

If it is not deemed expedient to assess "agricultural" incomes to income-tax the definition of agriculture can surely be narrowed down so as not to include forests and other things which the landowner has done nothing to produce or even to develop

Q. 39.—It is hardly possible for me to give an estimate of the sum that would be produced by making "agricultural" incomes liable to assessment. Perhaps the Deputy Commissioners of the districts will be able to do so From Sylhet, certainly, a considerable sum should be obtained from the incomes of landlords. I can, however, give information about the tea industry which now pays income-tax on only 25 per cent of its income, on the ground that the other 75 per cent is income from agriculture.

In 1923-24, the income-tax credited to Assam on account of tea gardens in the province was 13 lakhs and the super-tax 4 lakhs This is not the whole sum realised because many Assam gardens pay their income-tax in Bengal and

only 85 per cent of the tax so collected is credited to Assam. But even neglecting the 15 per cent (amounting to about Rs. 2,70,000) which was credited to Bengal, an additional revenue of over 50 lakhs would have been credited to Assam last year, had a tax on "agricultural" incomes been in force. 1923-24 was a very prosperous year for the tea industry but 1924-25 will show even higher profits Although the profits of tea industry are liable to wide fluctuations, it does not seem to be unduly optimistic to estimate that an average of Rs 25 lakhs may be expected from this source alone, if income-tax is paid on "agricultural" incomes, and for some years to come that estimate is likely to be far below the actual receipts.

It will not be easy to frame accurate estimates for the tax likely to be collected from landlords whether absentee or not, in the permanently-settled areas of Assam, unless the landlords concerned will supply information about their rent-rolls In Goalpara two of the largest estates are under the Court of Wards, and it should be possible to base an estimate on these. In Sylhet [illegible] he records of the [illegible] Baraya, Renga [illegible] were entered in [illegible] contribute the [illegible] mes, but something would come from the temporarily-settled districts also. Moreover, traders in rice or paddy would not be able to escape assessment on the plea that the paddy being the produce of their own fields, they are not liable to tax on the profits made in selling it

The profits of landlords would not be liable to great fluctuation. In my opinion, the estimate that an increased revenue of 16 to 20 crores would be obtained in the whole of India if agricultural incomes were taxed is very conservative, but without more data I should find it hard to justify the opinion. When the estimates from the Deputy Commissioners are received, it should be possible to form more definite conclusions.

Q. 40—I think that it would be much fairer to reduce the limit for payment of Indian income-tax; but at the same time I would make allowances for wives and children. The payer of land revenue is less affected by changes [illegible] l the latter is [illegible] d fix the limit [illegible] an Indian of [illegible] he has many dependants.

Q 41—In Assam, the growth of an accountancy profession has been so slight that it has had [illegible] trader That the repr[illegible] tially true is shown by [illegible] from producing accour[illegible] to be drawn is that they find it more profitable not to produce accounts Even when accounts are produced it is often impossible for the Income-tax Officers to accept them; but it is the policy of the department to encourage assessees to produce accounts by accepting them, whenever there are no obvious grounds for refusing to accept The bigger companies generally have their accounts audited by a competent accountant: the ordinary traders rarely or never produce audited accounts.

Centralised and more efficient control have undoubtedly helped to remove the reproach; but in Assam the staff is still too small and the time has been too short for the work to be adequately performed over the whole province. The work of the trained Income-tax Officer in Dibrugarh has given an indication of what may be expected elsewhere.

Q. 42.—In present conditions, I do not advocate the prescription of a form of account as I think that it would be almost impossible to enforce its use among tax-payers; but it would be a valuable help to honest payers if a standardised form were prepared and circulated. The department would try to persuade assessees to use the form, and in a few years it might be possible to prescribe it.

Q. 43—I do not think that there is any public opinion against frauds on the income-tax in this part of India and I consider that the publication of assessments and the appointment of assessors would have no useful effect.

Q. 44.—This is rather a question of general policy than of Income-tax administration. From the departmental point of view there is no reason to discourage the issue of income-tax free securities.

Qs. 45 and 46.—I have no opinion to offer.

Q. 47.—From the point of view of the Income-tax Department, the present

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assessees I cannot speak for the tax-payers, but I have not heard any complaints against the law on this point.

Qs. 87, 88, 91 & 157.—I have no opinion to offer.

Q. 89.—In principle I consider that the fees realised by court-fees, etc should not exceed the cost of the judicial administration In practice it will not be possible to adjust the income and expenditure with exact accuracy and it is justifiable to ensure that the revenue from this source shall not fall short of the cost Stamps and court-fees ordinarily form such a small proportion of a litigant's cost that I doubt whether any hardship is caused by extra receipts on this account.

Q. 90.—To some extent all taxation tends to restrict trade or other forms of personal or social utility. That stamp duties act as a greater restraint than other forms of taxation seems to me to be very doubtful.

Q 93.—In my opinion, it is legitimate to charge more than the actual cost of administering the department as registration fees because the guarantee given by the State at registration is of value to the parties

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Supplementary Note by Mr Gimson

1. The penalties referred to in statement VII of the Assam Stamp Report for 1923-24 must be under section 19 (E) though I have no papers from which I can prove that they were The extraordinary variation in the percentage of penalties is explained mainly by the fact that in 1923-24 there was one item of over Rs. 25,000 on which a penalty was levied, whereas in 1922-23 the total fees amounted to only Rs. 1,544.

2. Without a reference to the districts concerned, I cannot trace the classes of estates for which probate was granted. The big case from Goalpara was probably for the Bijni Raj Estate which is now under the Court of Wards

3. Assam receives an annual payment of Rs 45,000 from Bengal on account of non-judicial stamps This sum was agreed upon after negotiations A clerk was employed on special duty for 6 months from June to November 1922, to find out what sums were paid for stamps in Bengal on instruments executed in Bengal for properties in Assam The result was as follows —

	Rs.
(*a*) Both parties in Assam	21,848
(*b*) Both parties in Bengal	4,255
(*c*) Some parties in Assam and some in Bengal . .	3,675

It was recognised that Assam had a moral claim to the whole of the receipts under (*a*) and to a portion of those under (*b*) and (*c*) Finally, after some small deductions had been made in Bengal's favour, it was agreed that Rs. 45,000 should be paid annually by Bengal and that there should be no further bargaining.

No contribution is made by Bengal on account of judicial stamps. Assam waived this point on a compromise, Bengal agreeing to make no charge to Assam on account of the expenses of the Calcutta High Court.

Mr. Gimson gave oral evidence as follows :—

The President. Q.—Do you mind telling us the departments you administer?

A.—Land Records, Income-tax, Stamps, Registration; and I am also Registrar of Births, Deaths, and Marriages; also Registrar of Joint Stock Companies.

Sir Percy Thompson. Q.—In most provinces the Income-tax Commissioner is altogether separate.

A.—But the difference is that in Assam the income-tax is comparatively a small item The only large industry here is the tea industry. We have here a local man as part-time Income-tax Commissioner The Government of India have decided that it is not worth while to have a whole time man for the purpose The collecting staff is also the local staff and not the Government of India's staff and for that Assam gets 10 per cent of the income-tax realised in Assam as cost of collection. I think it is more than what it actually costs us.

Dr Paranjpye Q.—You also get the three-pie rate?

A.—Yes We get advantage of rule 15 of the Devolution Rules.

Sir Percy Thompson. Q.—With regard to question No. 34, do you think that the present system of graduation in India is satisfactory?

A.—It is extremely difficult to say that, because it is the system that has been in force and whether any other system would be more satisfactory or not, I do not know It works fairly well in this province.

[illegible]

a regular progressive scale

[illegible]

is a comparatively unimportant subject

Q.—There are very few large incomes here except those of the tea companies

A.—Yes, the graduation would have to begin fairly low to have much effect.

Q.—And you think if there is any change, you should raise the limit of exemption to Rs. 3,000?

A.—No. I have suggested elsewhere that I think that Rs 2,000 is really rather a high point at which to begin taxing I think that a respectable Indian on Rs. 100 a month is probably better off than a respectable Englishman on £250 a year I also suggest that allowances should be granted in the case of Indians in the case of a family.

Q.—You do not advocate any differentiation in favour of earned incomes?

A.—I do not.

Q.—Partly on the ground that it would complicate things?

A.—I do not think you would be able to distinguish here.

Q.—I am not sure if you are right in saying that it has proved very complicated in England.

A.—I can tell you why I said that. I have two brothers, who are accountants at Home. I know that at one time they considered that their clients often suffered unnecessary hardship because it was difficult to draw the line between productive and non-productive incomes. My knowledge is gathered from what they used to discuss at times.

Q.—But when any Finance Bill was discussed in the House of Commons, there are always amendments with a view to increasing the number of differentiations.

A.—Is not that political rather than economic?

Q.—You advocate allowances for wife and children. We have been told that in India is would lead to a large number of enquiries of an inquisitorial nature In England there is no such trouble because there is the marriage certificate; and if a man says he has ten children, one can go and verify that in a Registration office. Is that possible in India?

A.—In the case of the Muhammadans there is some such thing.

Q.—The other point that has been put is this that in England it is perfectly right to have the system of allowances; because you have got there a large number of bachelors and a large number of married men with children; but in India generally the man who is chargeable to income-tax is a married man and you really make the allowance when you make the exemption limit higher.

A.—I advocated the allowance rather in conjunction with the proposed reduction of the exemption limit. But I think if it remains at Rs. 2,000 I should be inclined not to make the allowance because it would lead to trouble.

Q.—Suppose you reduce the limit to Rs 1,000, do you know how many new assessees there would be?

A.—No.

Q.—In one province it would be almost exactly double the present number and the anticipated increase of revenue would be extraordinarily small.

A.—I think it would be so here too. I have no figures I fully admit there are arguments against the reduction of the exemption limit

Q.—You have not said anything on question No 37, super-tax

A.—I have discussed that point with Colonel Smiles since I sent in my replies. The trouble is that the small investor in a company which pays super tax really pays that tax just as much as any other big investor.

[illegible] uestion seems to be so much that there that on an indivi- [illegible]

A.—As a matter of fact the super-tax on companies is favourable to them rather than not.

Q.—The other argument is: an individual is charged super tax on the whole of his profits; whereas in the case of the company the super tax is only charged on the sums declared as dividends

A.—My own view is that there is no satisfactory reason for a distinction of that kind. I should make the one on the companies and one on the individuals at the same rates throughout

Q.—You cannot do that, because if you charge it on the company and then charge the individual on his dividends it will be making him to pay super tax twice

A.—The individual does do it now.

Q.—If you charge the company to super-tax on its profits, it will have to pass it on to the shareholders

A.—Yes Now the man who does not pay super-tax at all in the ordinary course, does pay it if he has shares in the company and if he pays super-tax he has no means of recovering the same, but in the case of income-tax he can recover.

Q.—It is a misnomer to call it a super-tax It is only an additional charge of income-tax on the profits of the company?

A.—Yes. As it stands now it is the small man who pays super tax just as much as a bigger man, if you assume that the whole of the sum that is paid

Q.—If you take it out of the money in the hands of the company which otherwise would go to reserve or dividends, it really must be paid by the shareholders.

A.—In the long run, certainly it would.

Q.—In the long run it is paid by the shareholders in proportion to the amount of shares?

A.—Yes. There is no doubt of that.

Q.—Do you see any justification for exempting companies to the extent of Rs 50,000?

A.—I had not really considered the matter from that point of view at all. It does not begin until the profit reaches Rs. 50,000. If you had a graded income-tax that would affect all companies more or less equally the higher profit would pay higher duty.

Q.—It falls equally on the poor and the rich.

A.—The poor shareholder is paying super-tax That is the point which Colonel Smiles raised. He was strongly in favour of a more graduated income-tax

Q.—With regard to the taxation of agricultural income, do you make any distinction between cultivators and others?

A.—I am only speaking of Assam I do not know about the rest of India. If it is decided to exempt agricultural incomes I would try to narrow the definition down

Q.—When you mention forests you refer to the recent ruling?

A.—Yes The actual case was that of the Raja of Gauripur.

Q.—He contested your charging him income-tax on his forest revenue. The question was whether the revenue from forests was agricultural income or not.

A.—There were three points for decision; *viz*., grazing, profits from land leased for stacking timber and fisheries. The Income-tax Commissioner won on fisheries, gave up grazing and lost the second point. I think it was in May in the High Court.

Q.—You said that both the judges declared income from fisheries not to be agricultural The senior judge said that it was taxable and the second judge said that it was not taxable and it was heard in the Full Bench

A.—They disallowed the appeal on some legal ground. The Full Bench have not decided on the facts of the case at all

Q.—The senior judge's judgment holds good?

A.—Yes.

Q.—Was there not a similar case brought before the Patna High Court? The Chief Justice and another differed and the opinion of the senior judge prevailed. The senior judge of Patna was opposed to the senior judge of Calcutta and there is no appeal against either.

A.—I do not know.

Q.—May we take it that there is nothing in the argument that the permanent settlement prevents the levy of income-tax on agricultural income and the only question to be considered is whether the yield is substantial enough to justify the trouble.

A.—I personally do not accept the view that to tax income derived from permanently settled lands is a breach of the permanent settlement.

Q.—At any rate we will leave out permanent settlement. It turns on the question of yield. You come to the conclusion that 10 to 20 crores is a conservative estimate.

A.—Perhaps I was rather incautious there. I was thinking at that time that if Assam produced more than Rs. 50,000 extra in income-tax, the whole of India would surely produce 20 crores more But the increase in income-tax from the tea industry would not affect most of India.

Q.—Are you going to get anything out of agricultural income except from the tea estates?

A.—Oh, yes. In Sylhet and in Goalpara you would get something.

The President.—The actual farmer will never be able to pay.

A.—The working farmers would not be liable to assessment. But in permanently-settled areas you have a fair number of big landlords.

Sir Percy Thompson. *Q.*—Why is that a charge of 25 per cent. is made on the profits of tea companies?

A.—How the arrangement was made I do not know. It was decided that 25 per cent should be allowed as manufacturing profits and the rest as agricultural.

Q.—No enquiry was made?

A.—No.

Q.—What about jute?

A.—I do not know what happens. There are no jute mills in Assam.

Q.—If the tea estates were charged to income-tax, you say Assam would get 50 lakhs?

A.—I have not said so. The extra income-tax in Assam would be that from tea alone.

Q.—It would have been credited to Assam?

A.—They would get only ten per cent. for the cost of collection and 3 pies in the rupee under Devolution Rule 15.

The President. *Q.*—What proportion would the land revenue paid by an estate bear to the average profit?

A.—I cannot give that information about the tea estates.

Sir Percy Thompson. *Q.*—Agricultural incomes pay a very heavy tax in land revenue.

A.—Not in permanently-settled estates. In temporarily-settled estates Rs. 2-8-0 per bigha would be the average rent and the landlord would be paying between 12 annas and Re. 1-4-0, that is about 40 per cent.

Q.—Forty per cent is a very heavy tax. Would it be fair to put on an additional income-tax?

A.—I do not think the tax is on his income. It is not like a man getting an income from agriculture.

Q.—You look upon the landlord as sharing rent with the government?

A.—Yes. That is a charge on the business. But the business man has his people to pay.

The President. *Q.*—If you let out an area and the licensee sublets it?

A.—He has to collect his tax and he can get what he likes. I look upon payment of Government revenue as his only expenditure.

Sir Percy Thompson. *Q.*—Would the same arguments apply to the cultivator?

A.—He has his expenses. He has not only his labour but also cattle and other actual expenses for working. I do not think you would get a single raiyat in Assam who has got a taxable income.

Q.—If there is not a single one with a taxable income what is the justification for taking so much by way of land revenue?

A.—By taxable income I mean one which could be charged to income-tax.

Dr. Paranjpye. *Q.*—The only cultivators who will be in a position to pay will be those who have some other means of earning money than cultivation.

A.—For example, he may be a cultivator and money-lender or a cultivator and shop keeper. The actual cultivator who did nothing else would be extremely rarely liable to income tax.

The Hon'ble Sardar Jogendra Singh. *Q.*—Suppose a man invests a lakh of rupees in land and gets an income of Rs. 10,000. He has to pay a land revenue of Rs. 5,000. Would you tax the extra five thousand?

A.—I won't tax the land revenue.

Q.—Supposing he puts the same amount in a factory and gets Rs. 10,000, he will have to pay income-tax on Rs. 10,000. But the man who has invested in land has to pay the land revenue and again income-tax. That would be double taxation.

A.—The one has got land and the other has got a depreciable asset.

Q.—One gets 10 per cent and the other gets five per cent on his land.

A.—In Surma Valley, people are quite content to get four per cent. He does not want the 20 per cent which he would demand in money-lending. The difference is partially in the risk.

Sir Percy Thompson. *Q.*—When he bought land it was not to make ten thousand. He purchased it to get an income of five thousand and he paid a high price for it owing to the fact that it was exempt from income-tax.

A.—That would affect only a few people. Enhancement of income-tax would have the same effect.

The President. *Q.*—Don't you collect cesses on the basis of rents?

A.—In the permanently-settled areas, cesses are levied on a flat rate per acre.

Q.—Is that under a special law?

A.—Under the Local Rates Regulation. I did a small settlement and from that certain figures may be collected. From 100 square miles you can strike an average for the district. Every zamindar has his rent-rolls.

Q.—If it were decided to tax these incomes you would do it by altering the definition?

A.—I would so modify it as not to exclude agricultural income.

Q.—Don't you think there are a vast number of people who do not keep accounts?

A.—Every ordinary trader in this part of the country has generally a partner or a servant who may draw some commission on the profits. Almost invariably there is some kind of account; but that would not necessarily be accepted by the Income-tax Officer. There is always some kind of account kept of his transactions.

Q.—People who draw commission, do they keep accounts?

A.—They have a *kachha khata* and they will produce nicely written new books with perfectly white paper.

Q.—It is always easy for them to produce such books?

A.—Yes.

Q.—You speak about the centralised and efficient control of the income-tax department and give an instance of the trained Income-tax Officer in Dibrugarh?

A.—It is little complicated to explain. I have got some figures since I sent in my written memorandum. Everybody talked about the splendid work that he has done, but the opinion is coloured by the fact that he has raised the assessment, but mostly the increase in the tea assessment was not made by him at all. I have got the figures of the increase in non-companies assessment. They are from 33,000 in 1922-23 to 68,000 rupees in 1923-24. I admit there may be a tendency on the part of the Income-tax Officer to justify his position by excessive enhancements.

Q.—The assessment on the tea estates are actually made in Calcutta?

A.—Yes, on many, but not on all.

Q.—And then 85 per cent levied on it?

A.—Tea has been assessed only since two years. It was considered as agricultural income before that.

Q.—Since it started you have got 85 per cent?

A.—Yes, of the income-tax assessed in Bengal. We made this arrangement in consultation with the Bengal Government.

Q.—The marketing of tea is done in Calcutta?

A.—All the manufacture is done here, tea is merely shipped to Calcutta. Where the company has its managing agents, the assessment is done there, as they have got all the accounts there. Therefore, 15 per cent is given to Bengal. The companies that have no managing agents in Calcutta, are ordinarily assessed in Assam and where the managing agent is in Calcutta, Bengal is given 15 per cent and we are given 85 per cent.

Q.—What about the complaint of double income-tax?

A.—It will arise undoubtedly next year.

Q.—Can they get a refund from the British Government?

A.—I do not know what they have done at Home. This year one company approached me and I found that their claim was time-barred. Surely it will come up again next year.

Sir Percy Thompson. *Q*.—Then with regard to the question of maintaining the accounts in a standard form, is it not difficult to have many different forms for different kinds of business?

A.—The ordinary banker has his balance sheet, he has no need to have any special standard form. I mean it for people who do not know how to keep their accounts. The big companies have their balance sheets prepared by their chartered accountants. As far as their accounts go they are expected to be accurate, but the small shop keeper may have nothing except his daily *khata*. As I have said it would be almost impossible to enforce a standard form of account among tax-payers, but I would advocate a standardised form to be prepared and circulated.

Q.—Even if the prescribed form is adopted, you would have to check it again?

A.—Certainly it will need examination. The form will only simplify matters and avoid the searching of accounts.

Q.—Do you think it would be worth while to advertise the prescribed form which the trader could use?

A.—I think it might be worth while. I am not sure about it. At present the Income-tax Department is looked upon with more suspicion than it ought to be. I think one of the reasons is that we cannot accept the trader's statement of profit and loss, because we do not know how the figures have been arrived at, even though we may believe the accounts to be accurate. If we could do that I think it would do good. It will remove a good deal of suspicion.

Q.—What you mean is to give them a sort of book in which they can give their final account?

A.—I don't care in what form they keep their daily account. They may keep it in any way they like. But I want to prescribe a detailed form giving the information we want from them much more clearly than in the present form, which is rather unintelligible to the ordinary trader, and then let them fill in that form afterwards. It might be a consolidated form.

Q.—It would be a form which would show the main heads of expenditure, main heads of receipts and so on. That is what we mean by form of accounts.

A.—You mean consolidated accounts at the end of the year. These are what I mean too. He can keep his account in any form he likes, but when the time comes for the return of income-tax, he must use our forms. If he uses this form, it will solve the trouble for those whose figures we can accept as correct.

Q.—Will it not be advantageous to advertise these account forms and let it be known to the traders that they might use these forms?

A.—I mean that. I did not advocate the prescription of the form because I thought it would not be possible to enforce its use.

The President. *Q*.—Is it one of your difficulties that the official year does not correspond with the calendar year?

A.—Yes.

Q.—You allow the assessee to send in his accounts at any time of the year?

A.—Yes.

Sir Percy Thompson. Q.—Here you have a system of assessment on previous year's income Have you heard any complaints about this system?

A —I cannot speak for the tax-payers, but certainly if I were a tax-payer I should feel the present system as a grievance.

The President Q —Have you got a considerable number of people who pay house tax?

A.—We have no house-tax except in the Assam Hills.

Q —But there are a large number of small traders who escape all taxes?

A —You mean people below 2,000 *rupees*? *Yes, there are very considerable* number of them In the ordinary bazar you see many of them with fairly big shops paying no income-tax at all.

Q —So you agree that there is a class which escapes taxation?

A —Yes.

Q —Can you suggest any remedy for it?

A —In some cases they pay chowkidari tax, but there are only two districts where this tax is in force. They pay land revenue if they have lands. I don't think they pay any other tax.

Q —In most of the provinces there are taxes on circumstances and property and in Burma there are the capitation tax and *thathameda*.

A —Yes, there are none of them here.

Q —Then there is the *haisiyat* tax in the Punjab.

A —Nothing of the kind here

Q.—You agree there is a big gap that ought to be made good by taxation?

A —I think so

Q —Now we pass on to stamps. Have you increased the rates up to Bengal rates?

A —It is only this year the Council has passed the Bill allowing 50 per cent increase over the rates that were in force in the year 1920.

Q —Is it an all round 50 per cent. increase?

A —I think they are the same rates as in Bengal. Last year the Council refused to pass this Bill, but this year an offer was made that if the Stamp Act and the Registration Act were passed, 10 lakhs of rupees would be taken from the extra income and given to the transferred departments, and they were passed on this condition

Q —Do you lose a good deal of money to Bengal on account of stamps?

A.—I do not know that, but I am not sure whether we get our proper share or not. We get something back from the Government of India on this account, about 21,000 rupees.

Q.—I remember this point was raised at the Finance Member's Conference last year and some settlement was arrived at as the result of this discussion. Could you give us the figures, as we are interested in the question of the division of the proceeds between the provinces?

A.—I am sorry I have not looked into this point as I was definitely informed that I was going to be examined only on my written answers.

Q —With regard to tea estates, I suppose, a good deal of their business is done in Calcutta, I mean, business involving the use of stamps?

A.—I was thinking of agreements under the Act of 1913.

Q —I suppose on the transfers of stocks and shares, etc., you get nothing?

A.—Certainly we do not get anything. It all goes to Bengal.

Q.—Your report mentions some 71 cases of probate and letters of administration. Can you give us an idea of what class they belong to?

A —I cannot say now.

The President. Q.—You say that you consider that the fees realized by court-fees, etc., should not exceed the cost of the judicial administration, but in practice it will not be possible to adjust the income and expenditure with

exact accuracy. I do not know if you have seen the report of the Civil Justice Committee in this connection.

A.—I have not, but in any case it is impossible to estimate the exact expenditure beforehand.

Q.—You mentioned registration of marriages taking place among Muhammadans. Who does that registration?

A.—There are Muhammadan *Kazis* who do it. The ordinary Sub-Registrar can register Muhammadan marriages, and in some places they prefer to go to him; there are Muhammadan marriage registrars in certain localities where people do register marriages.

Q.—Is he under your control?

A.—Yes.

Dr. Paranjpye.—*Q.*—He takes all the fees?

A.—Yes. He has to keep his own staff. He gets no pay from the department, but he has to get leave from the department.

The President.—*Q.*—Is registration optional?

A.—Yes.

Q.—It has been suggested to us from many quarters that registration should be made compulsory on all marriages; practically that would affect Hindu marriages, because Christians, Muhammadans or Parsees already register marriages.

A.—I do not think Muhammadan marriages are all registered.

Q.—In other provinces, are there special marriage registrars?

A.—We have special Muhammadan marriage registrars in Assam.

Q.—In the Punjab, the District Boards control marriages and keep all the fees.

A.—In this province the man keeps the fee. He pays his own establishment and he keeps his own house. Government have really to do nothing with him except to appoint or remove him. He is supposed to have certain qualifications before he is appointed. He is actually appointed by a standing committee and before that committee meets, the Inspector-General of Registration appoints him provisionally on the nomination of the District Registrar.

24th March 1925.

SHILLONG.

PRESENT:

SIR CHARLES TODHUNTER, K.C.S.I., I.C.S., *President.*
SIR PERCY THOMPSON, K.B.E., C.B.
The Hon'ble Sardar JOGENDRA SINGH.
DR. R. P. PARANJPYE.

Mr. J. E. WEBSTER, C.S.I., C.I.E., I.C.S., Commissioner, Surma Valley and Hill Division, Assam, was examined.

Written memorandum of Mr. Webster.

Qs. 1 to 9.—[illegible]
be had without [illegible]
trained enquirer [illegible]
large scale wou[illegible]
of the Local Government, but given complete and accurate information regarding a particular locality, fairly reliable conclusions may be drawn as to conditions in a somewhat similar tract by an observer knowing both tracts and their people well.

There are statistics of the production of staple food crops, jute, cotton, timber, and minerals, and of the number of cattle, which afford some material on which to base an estimate of the available wealth. To obtain more accurate and complete information would be troublesome and probably not worthwhile. The statistics of labourers' wages are practically useless as a guide to taxation, and we have sufficient information for such purposes as to rents and prices. The income-tax returns give information as to income and municipal and village assessment lists often contain estimates of the same, rough but not without value; we know roughly the burden of direct taxation; but we cannot estimate the share of the indirect taxation borne by different classes. Even if we ascertain that we may be far from knowing how it presses on individuals within the class

Nothing therefore short of an extremely detailed investigation of the individual income will be of much help towards an appreciation of the incidence of the burden. Whether a knowledge of the incidence will enable the burden to be lightened is still another story.

Qs. 10 to 17.—(*a*) Land Revenue as shown in the Table V-A of the budget and Appendix V to the Land Revenue Reports is the rent paid for the use and occupation of land the property of Government (*see* paragraph 13).

(*b*) House, poll, and *dao* tax (Rs. 1,64,000 in my Division) are properly classed as Taxes, though shown as "Miscellaneous Land Revenue."

(*c*) Grazing fee (Rs. 12,000) is also shown as "Miscellaneous Land Revenue." I should class it as a tax, as it is levied on the number of cattle irrespective of the quality and extent of the land on which grazing is allowed.

(*d*) Penalties and process fees are paid in Court-fee Stamps and are shown under that head. They are neither rent nor tax but approximate nearer to taxes in their effect.

Qs. 21 to 23.—There is no economic justification for excluding indirect taxes from consideration; the burden is there, but it is often unrealized and may be ignored by the statesman.

The salt tax would hardly be recognized but for the political agitation against it

The masses do not appreciate the effect of customs duties and such excise duties as the kerosine tax, so that although such duties may be felt and even resented by those who pay in the first instance, they usually are preferable to direct taxation.

Sudden large enhancements, however, causing a substantial rise in retail prices are felt and may be very unpopular. Changes should therefore be gradual

Qs. 27 to 31.—(*a*) Theoretically every citizen should bear a share of the burden, but anything in the form of a poll tax is troublesome to collect and if new, would be strongly resented. Therefore indirect taxes afford the best means of taxing the masses. This may however need qualification in the case of local taxation (*see* paragraph 20).

(*b*) In this province the house tax is levied in the hill districts It is understood there and is well suited to democratic communities where the general standard of wealth is pretty constant. The usual rate is Rs. 2 or Rs. 3 per house, but some pay as little as Re. 1 and a few as high as Rs. 5.

(*c*) The chowkidari tax is in force in Sylhet and Cachar and is most unpopular, largely because the villager does not recognize that he receives value for his payments and partly because the tax presses more heavily on the poor than on the well-to-do. The total tax is nearly 3¼ lakhs and the incidence about 12 annas per household in the assessed area in Sylhet and nearly Re. 1 in Cachar. The lowest rate is 6 annas a household and the highest common Rs. 1-8.

Income-tax.—(*a*) Net incomes of Rs. 2,000 or over (or whatever be the minimum for industrial incomes) derived from land should not escape income-tax. In most instances the recipients derive such incomes from the receipt of rents. Planters and gardeners on a large scale will come into the category.

but the peasant farmer working with his hands or even the petty landowner cultivating his own lands with hired labour will hardly ever be taxable. In any case these incomes are far above the normal comfort level. The tax obtainable in the Surma Valley from temporarily-settled landholders other than tea planters would be negligible, but there are some 600 permanently-settled estates paying Rs. 50 to Rs 100 as land revenue and 450 paying more than Rs 100. The gross income of such estates may be Rs. 20,00,000 and perhaps one lakh might be had as income-tax. These are very rough approximations.

The question is whether such a tax will constitute " augmentation of the public assessment (on permanently-settled estates) in consequence of the improvement of permanently-settled estates " There is room for argument, but the Court of Directors can hardly have had in mind the exemption of landed proprietors from a general contribution to the State required of all classes of well-to-do persons

(b) There is much to be said in the present state of Assam for substituting a tax on turn over for an income-tax In practice the profits of certain classes of business can only be estimated by assuming a normal rate of profit on gross transactions This is the case with small contractors, grain dealers and brokers, and others who do not keep, and cannot be trusted to keep proper accounts.

Qs 48 and 50—To a great extent the incidence of excise and customs is graduated by means of *ad valorem* duties It is doubtful whether this is altogether sound even for tobacco and it would be most undesirable to extend it to whiskey so as to encourage the sale of cheap and deleterious brands.

Qs. 63 to 75—The statistics furnished in the Appendices do not afford a complete guide to the level of excise duties, inasmuch as they omit license fees. The relevant figures for Sylhet district are—

Drug	Retail price	Share of—		
		Government	Wholesale producer.	Retail vendor.
1	2	3	4	5
	Rs A. P	Rs A. P	Rs A. P.	Rs A. P
Opium	160 0 0 a seer	137 0 0	20 0 0(a)	3 0 0
Ganja	60 0 0 ,,	50 0 0	7 8 0	2 8 0
Country spirit . .	11 4 0 per L P gallon	8 8 0	2 6 0	0 6 0

NOTE—(a) To Imperial Government.

These figures are typical. The excise duty is far heavier than the cost of production and the retail vendor's margin of profit is very low, many would say too low. The license fees will be lower next year. Any enhancement of retail price will lead to more smuggling and illicit production. Hemp grows wild; spirit is easily distilled from the rice beer allowed to the tea-garden labourer and the aboriginal population; *mahua* is cheap and the opium poppy used to be grown freely in Assam. So further enhancement may entail an unremunerative increase of preventive staff. Illicit distillation is known to be prevalent but interference is restricted by the danger of causing unrest. If the cultivation of opium throughout India is restricted and prices raised Assam might follow suit, but with country spirit and *ganja* increase can be made only gradually and with caution.

Q. 68.—Practically [illegible] *by means of license* fees, but the incidence [illegible] allow Local Governments to impose a dut[illegible]ry spirit in addition to moderate license fees. Such fees should be low in comparison with duty.

Q. 69.—Under a recent arrangement with Bengal, this province will get the duty on country-made foreign liquor and drugs imported into Assam from Bengal, but the adjustment of license fees is still under consideration.

Qs. 73 and 74.—License fees now are, with few exceptions, fixed at so much a gallon, and the licensee is not allowed to retail above fixed rates. Practically all shops are settled at the highest fee they can possibly bear and the value of a license must be low unless there is opportunity for illicit gain. It would be less misleading if the duty were raised and license fees lowered to a level at which they would only suffice to keep the margin of profit approximately level in all shops.

Q. 93.—Registration benefits the whole community by giving security of title and the fee stands on the same footing as stamp duty as a legitimate source of revenue. As some fee must be levied to cover the cost of the operation registration fees afford a convenient opportunity for taking something more at a time when the parties are likely to have money.

Q. 94.—(*a*) Heavier fees could be levied under the Arms Act. Gun licenses for the protection of crops might be assessed at Rs. 5 a year in the case of muzzle loaders and Rs. 10 for breech loaders. Fees for sporting license might be raised. Licenses for extra ammunition might be heavily taxed; cartridges and explosives might pay an excise duty. In these ways Rs. 1,00,000 could easily be raised in Assam.

(*b*) On economic grounds the grazing fee could well be raised, but the unpopularity of the tax is a serious obstacle.

Qs. 96 and 97.—Land revenue is assessed on exactly the same principles as would be followed by a prudent and just landlord in fixing the rents to be paid by his tenantry. In ryotwari tracts the productive power of the land, the relative facilities for export, the amenities of its residential sites are compared with those of other lands and the revenue fixed accordingly, enhancements *being limited so as to avoid hardship. In zemindari areas land revenue* represents a portion of the agricultural rental at the time of assessment, just as does the ordinary *patnidars'* rents which no one has sought to classify as a tax and not as rent. If land revenue is low, or where there is none, the settlement-holder tends to become a mere landlord and the occupier a tenant, probably more heavily rented than he would be under Government. For these reasons it is not correct to say that the prosperity of the cultivator is affected by the "land tax." It is not a tax. If there were no land revenue in any part of India a corresponding sum would have to be raised in taxation. The cultivator, or the landlord, would have to pay most of it. Rents would remain as they are and the great mass of the agriculturists would be troubled by new and strange taxes in place of the old and well understood land revenue.

The prosperity of the cultivator depends on—

(1) The fertility of his land and its security against crop failure.

(2) The demand for his produce.

(3) The amount of land available.

(4) His own skill and industry.

Lands are not becoming more fertile; there is little new protection against flood or drought; no great improvement in the quality of the staple crops or the cattle. The ryot cannot have as much land, or at least as much good land, as formerly. His skill and industry develop slowly. So we must look to a rise in the outside standard leading to higher prices for his surplus. The standard is rising but the growth of population tends to lower the level of comfort.

The following figures will illustrate the incidence of land revenue.

In recent assessments in the Surma Valley the incidence per settled acre varied in different blocks from Re. 1 to Rs. 1-12 and per cultivated acre from

Rs 1-8 to Rs. 2-8, while the percentage of land revenue on the total estimated gross value of the produce ranged from 7 per cent to 9 per cent. even taking a very low value for the grain At present prices the revenue will be about 5 to 7 per cent. of the value of the produce In permanently-settled areas the incidence is much lower, roughly Rs 3,65,000 on 2,400,000 acres or nearly 2¼ annas an acre, while cultivators' rents often amount up to Rs. 12 an acre and except in a few localities are rarely less than Rs. 2-8 an acre. In the three Parganas of Sylhet selected for cadastral survey the average land revenue was a fraction over 4 annas an acre while lands sublet at from about Rs. 4-8 to Rs. 15 an acre and rents averaged about Rs. 6 an acre.

Q. 98.—The criticism offered in this question is quite unsound.

(*a*) " Ability to pay " is not a canon of the rent law and in the sense intended is wholly inapplicable to payment for a right to the occupation of land.

(*b*) From the cultivator's standpoint there is less certainty under the permanently-settled proprietors of Bengal than under Government.

(*c*) Is simply untrue as regards Assam.

(*d*) In Mauzadari areas there is little expenditure on the collection of revenue beyond the Mauzadars' commission, *viz.*, 10 per cent. on the first Rs 10,000 collected, and 5 per cent on the residue. Allowing for supervision, *the charges may be put at 10 per cent. and not 20 per cent. In the tahsils* an estimate of 5 per cent. was made some 20 years ago.

The land revenue now collected direct through tahsils is about 15¾ lakhs. The cost of the tahsil establishment is Rs. 60,000. Adding 50 per cent. to this for supervision, the total cost of collection is only Rs. 90,000, and against this may be set penalties for late payment. The cost of distress warrants is more than covered by process fees. We thus arrive at a gross cost of about 6 per cent. and a net cost, allowing for penalties, of not more than 5 per cent.

Q. 100—Following Major Jack the level of comfort may be taken at Rs. 360 a year, on an estimated income of Rs. 240 a cultivator has enough for his wants. It is not practicable for a Settlement Officer to ascertain the income and a system of assessments graded according to estimated income would be unworkable.

Q. 101.—A tax on mutations would be very troublesome and would undoubtedly make the maintenance of the land record impracticable. Moreover every transfer of immovable property of the value of Rs 100 or over must be made by a registered and stamped document and is already taxed. It is not practicable to prevent fractionisation in a Muhammadan land.

Q. 103.—The assessment of land revenue in Municipal areas, where land is at all subject to revenue, needs to be regulated by broad principles, and I doubt if petty local authorities have wide enough experience to assess fairly.

Q. 104.—No one measure is sufficient, but No. (5) is the most important. Regard must be had also to the average size of the estate or holding. None of these methods is of any use for the comparison of raiyatwari with zamindari settlements.

Q. 105—The methods of taxation specified omit—

(*a*) License fee for prospecting.

(*b*) Kerosene duty of an anna per gallon on quantity sold.

Dead rent should be fixed fairly high I would not advocate any other addition to existing taxes in this province.

Q. 1[illegible] In paragraph [illegible] I noted the unpopularity of the chowkidari tax

accurate knowledge of each resident's circumstances. A tax, larger than the present chowkidari tax and better graduated, might be assessed and collected by every such authority which would contribute a fixed quota to the parent

Subdivisional Board and have the residue for its own needs. Most of those whom I have consulted would not trust the village authority to assess, but no other form of assessment is practicable.

The present chowkidari tax in Sylhet is just over 3 lakhs, or rather more than the local rates demand. It might easily be raised to six lakhs by increasing the payments of the more well-to-do so as to make them more proportionate to the payments of their poorer neighbours.

[illegible]

village tax

Qs 121 to 136.—It is not practicable to tax tobacco as a crop, and very difficult to tax country-made tobacco at all. I would welcome a heavy excise on cigarettes, which are far too cheap and popular, but it will be difficult to touch those who make their own cigarettes. Nearly a century ago the Settlement Officers of Orissa assessed tobacco land at 4 to 12 times the highest rate for paddy land, and some zemindars charge special rents for such land; but Government could not do this without a new and expensive staff. On the whole I would only suggest an excise duty on machine-made cheroots and cigarettes and pipe tobacco at say Rs 2 per lb. for smoking tobacco and cheroots and Rs 4 per lb for cigarettes.

If anything more is attempted a regular organization will be necessary and might deal also with betelnut and betel leaf, which were taxed by the East India Company and are easier to deal with than tobacco. But I doubt if it is worthwhile trying this.

I have left untouched much that is of interest, but should like to emphasize that with rare exceptions the best tax is that which is least felt or least resented. Almost any change, other than an unbalanced reduction, is sure to rouse resentment.

SUBSIDIARY NOTE.

Municipal Finance.

In this province the outstanding feature of municipal taxation is that while rates are substantial the proceeds are small.

To take Sylhet as a typical case, the nominal direct taxation is, excluding Government buildings —

1¼ per cent. on the annual income of the rate-payer, *plus* in certain areas latrine fees on holdings having latrines at 10 to 12 per cent. of the annual value, and water rate of 6 per cent. or 7½ per cent. of the annual value.

The present and the proposed assessment under these heads is :—

	Present.	Proposed.
	Rs.	Rs.
Personal tax	12,350	17,884
Latrine fees	8,028	15,869
Water rate	6,168	12,829
TOTAL	26,546	45,582
GOVERNMENT BUILDINGS	10,875	10,875
TOTAL TAXES	37,421	...

The recent revaluation without alteration of rates has raised the assessment by 71 per cent., and though some valuations are likely to be reduced it is improbable that rents or income have been overestimated. Anyhow this great difference

shows the inaccuracy of municipal assessments; an inaccuracy which is almost unavoidable when most people live in flimsy structures for which they pay no rent

The municipal returns show that the incidence of taxation in 1923-24 was Rs. 2-14-9, but about one fourth of the taxation shown is made up of the rent of the Surma ferries which are farmed out. This is not really municipal taxation and the ferry tolls are paid largely by persons living outside municipal limits. It is doubtful also whether the rates paid by Government should be regarded as taxes on the inhabitants. Excluding these two items the incidence of taxation proper is under Rs 1-8 a head and of this the greater part is directly for payment for services rendered, viz., water-supply and private conservancy.

Altogether the income is composed of—

	Per cent.
Taxes proper	43
Government buildings	18
Grants from Government	0
Municipal property including pounds and ferries .	25
Fines and Miscellaneous	7

Hitherto wheeled traffic has been negligible; now the motor has come and taxes on motors may yield some revenue. Other possibilities are fees on mooring boats—but this would be troublesome. Licenses for bombs and musical parties might yield a substantial sum if they were at all proportionate to the nuisance. The charges for house water connections should in any case be increased.

Mr. Webster gave oral evidence as follows :—

The President Q.—As regards questions Nos 1 to 9, you know that a new Committee (the Economic Enquiry Committee) has been appointed and your replies will be transferred to them We are only concerned with the incidence of taxation on classes You say that the statistics of labourers' wages are practically useless as a guide to taxation; but we have been told that there is a lot of material in the Report of the Assam Labour Enquiry Committee.

A.—That is as to the material condition of the workers on tea gardens, showing in certain cases what their actual family budgets are against their earnings.

Q.—It is commonly stated that the wages on the tea gardens are extraordinarily low.

A.—The wage is very low, but it is a family wage for practical purposes. Women and children work and though the earnings of the men are lower than they would be in other lines, the total family earnings generally come to Rs 20 a month. Besides, there are indirect advantages, such as a free house, free fuel, good water supply, medical attendance, etc.

Q.—Is your estimate for a family of five?

A.—I am assuming that the man, his wife and one child under 14 are working

Q.—What taxes would such a family pay?

A.—They would pay no taxes unless they drink spirits.

Q.—Can they have as much *pachuai* as they like free?

A.—Yes; we call it *lao-pani* in the Assam Valley and *pachuai* in the Surma Valley.

Q.—Do they pay on salt?

A.—Yes; they pay duty on their clothes also; they mostly wear imported cloth

Sir Percy Thompson. Q.—Do they wear better class cloth?

A.—It is rather inferior stuff, but they do not spin it themselves.

Q.—They do not use the Bombay cloth?

A.—I think a good many of them do.

The President. Q.—Do these people manage to save anything?

A.—Those who are frugal save a little and buy land; others will spend what they save on drink or merry-making; that depends very much on the class.

Q.—Are they not the lowest class of labourers—people who have no skill of any sort?

A.—Yes, most of them left their districts in times of distress or scarcity.

Q.—Have you made any estimate as to what the family taxes would come to?

A.—No.

Q.—Would it be possible to get an estimate?

A.—One could estimate the salt tax at 3 annas per head; the others would be difficult to estimate, because the great majority of them do not drink. A few of them take *ganja*, but not many.

The Hon'ble Sardar Jogendra Singh. Q.—Don't some of them drink?

A.—Some drink spirits.

Sir Percy Thompson. Q.—Most of them drink *pachuai* or locally-distilled liquor.

The Hon'ble Sardar Jogendra Singh. Q.—What would the cost for their subsistence come to in a month?

A.—It is almost impossible to say; according to estimates, they spend the whole of their income.

Dr. Paranjpye. Q.—Are their passages to and from their native places paid by the estates?

A.—The passages from their native districts to the estates are paid by the estates; they are not entitled to get their passages back, but they may go back as recruiters.

The President. Q.—The Assam Labour Enquiry Report would give us how much they spend on clothes?

A.—Yes.

Q.—So that a family of four would earn, say, Rs. 240 a year and something more, *e.g.*, a free house.

A.—I do not think that even in the Assam Valley they earn more than Rs. 300 a year; in the Surma Valley it is a little less.

Q.—We were told that we could get some family budgets from the settlement reports; can you tell us what the best settlement reports are which would serve our purpose?

A.—The settlement reports have not yet been written; it is now under progress in two districts in the Assam Valley and the Settlement Officer has been instructed to prepare family budgets. I am not aware of any settlement reports at present in existence in which family budgets are given.

Q.—You refer to a report on the Hailakandi flood area; what is that?

A.—About the year 1915-16, there were very serious floods in the Hailakandi subdivision of the Cachar district. There was excessive indebtedness and as a result of that, an officer was deputed to make a survey of typical villages on the same lines as Major Jack's report in the Faridpur district. The special officer took up 27 villages and made detailed house-to-house enquiries as to the condition of the people living in those villages. He found that the actual level of prices was a little higher than in the Faridpur district and the indebtedness rather less but differently distributed.

Q.—Are there no family budgets in the Census report?

A.—Yes, there were some in the last Census report.

Q.—These might help us to get the incidence of taxation on the lowest classes.

A.—I think so, decidedly.

Q.—You refer to a house, poll and *dao* tax; you say that the house tax is sometimes 2 or 3 rupees, sometimes as low as Re. 1 and sometimes as high as Rs. 5. Who makes these assessments?

A.—They are made by the Deputy Commissioner subject to the approval of the Commissioner and Government. In the Naga Hills, where there is permanent cultivation among the tribes, the rate has been fixed at Rs. 3; in the remaining districts where the cultivation fluctuates, it is Rs. 2. Foreign settlers who come and settle in the plains pay Rs. 5, and in the newly administered areas recently taken over, the tax was started at Re. 1.

Q.—It varies by classes or localities and not from house to house?

A.—Yes. Similarly in the hills, it is levied according to the fertility of the village and its accessibility.

Q.—Is the grazing fee based on the number of cattle?

A.—Yes. It is Rs. 3 a year on buffaloes in the Assam Valley and Re. 1 in the Surma Valley.

Dr. Paranjpye. *Q*.—The fees must be paid whether the grazing ground is used or not?

A.—The grazing ground is used.

The President. *Q*.—Is there no exemption for cattle used in agriculture?

A.—This tax is not levied on cattle used in agriculture. It is purely on professional graziers, mostly foreigners. In the case of cultivators, nobody can be assessed as a professional grazier unless he has at least ten head of cattle in use for the plough and unless, in addition, the bulk of his income is derived from cattle trade and not from agriculture.

Q.—It is rather a sort of tax on circumstances and property?

A.—That is so.

Sir Percy Thompson. *Q*.—Would you call this house or poll tax a tax at all? Is it not a rent?

A.—I would call it a tax, because we impose the tax, whether the man cultivates 10 acres or 3 acres or even if he is a village carpenter and does not cultivate.

Q.—Yesterday we were told in evidence that this tax was a substitute for the land revenue in the backward tracts.

A.—It is in a sense, because we charge no land revenue; on the other hand, this tax does not, like land revenue, depend on the extent of cultivation.

Q.—Would there not be professional workmen or non-cultivating people?

A.—I won't say there would be none. There is the village priest.

The President. *Q*.—Would he pay?

A.—He would be exempted, as a rule, as a teacher.

Q.—You say that the chowkidari tax is very unpopular. Why is that?

A.—There is a feeling that the chowkidar does nothing for the village, that he is merely the servant of the police and not the servant of the village.

Dr. Paranjpye. *Q*.—Does he boss it over the people?

A.—He is a miserable person, he can hardly marry his daughter.

The President. *Q*.—His pay is very low?

A.—Yes, it is never more than Rs. 6, very often it is Rs. 4.

Sir Percy Thompson. *Q*.—Is there general satisfaction with the way in which the chowkidari tax is assessed?

A.—Very little.

Q.—You say it presses more heavily on the poor than on the well-to-do.

A.—It does, but we get very few objections on that account. We try to persuade people to put more burden on those who are better able to bear it.

Q.—Is this chowkidari tax levied in the same district where the house tax is in force?

A.—Not in the same areas. They have no chowkidari tax where a house tax or poll tax is imposed.

The President. Q.—Why is the chowkidari tax levied in some places and not in others?

A.—We have practically no police in places where the house tax is in force. The village headman is the local representative of Government.

Sir Percy Thompson. Q.—Is not the reason really that the tribes are migratory?

A.—That does not apply to the Khasi or the Naga Hills.

Q.—If they are permanently settled, why can't you have land revenue?

A.—Because the cultivation fluctuates. They one day take a hill-side, burn it and prepare it for cultivation and cultivate for one or two years, after which jungle grows up again and they go to an entirely fresh area and cultivate there.

Q.—These areas they cultivate must be at some distance from the village.

A.—Often several miles.

The President. Q.—Would the chowkidari be an unpopular tax if the proceeds were applied to local purposes?

A.—I think so, but still there are experienced Local Board members and Chairmen who advocate this as the best form of local taxation on the assumption that it goes to a village authority who would look after the sanitation, communications and general welfare of the village, as well as run the chowkidars.

Sir Percy Thompson. Q.—Does the tax pay for more than the chowkidar's salary?

A.—At present it only pays for the chowkidar, but the idea is to combine the chowkidari and the village authority as has been done in the new Bengal Act and to have a combined tax for the two.

The President. Q.—That is what the Punjab have done, do you advocate the same thing?

A.—Theoretically I think it is the best way, but it is very difficult to say how unpopular it will be.

Q.—Did your Government try to get rid of the chowkidari tax at any time?

A.—No; it has been the other way, *viz.*, to convert the payment by *jagirs* into the payment of a tax.

Q.—Whom did you give your *jagir* to?

A.—Originally patwaris and chowkidars had lands and they enjoyed the few acres they had free of revenue or rent.

Q.—Was that in the two permanently-settled districts or was it general?

A.—Only in the two districts.

Q.—Did they originally have a revenue free grant?

A.—Only in some parts.

Q.—I suppose that prices have now risen and you wish it had not been done.

A.—My own experience of the system of payment of chowkidars by *jagirs* which obtained in Bengal was that it was very unsatisfactory. They generally got into the hands of money-lenders.

Q.—The *jagir* changes hands.

A.—Yes, and the chowkidar got nothing.

Q.—On the other hand, the land is now worth something.

A.—It is worth a good deal.

Q.—Have you any knowledge of the proposal made by Sir Edward Baker at one time to abolish the chowkidari tax?

A.—No

Q.—When he was Finance Member he cancelled the village service cesses in the United Provinces and Madras and when he became Lieutenant-Governor of Bengal he attempted to do the same thing with the chowkidari tax, but the proposal was refused by the Government of India

A.—It was just after I left Bengal

Sir Percy Thompson *Q*.—You are in favour of the removal of the exemption of agricultural incomes from income-tax

A.—On economic grounds I would favour it but the question is whether the small amount we should get would be worth the dissatisfaction which it will cause among our most important landholding classes

Q.—You say you would favour it on economic grounds How would you justify an additional burden of income-tax, when they already pay a very heavy tax in the shape of land revenue?

A.—I regard the land revenue as really equivalent to a rent and not as a tax and I see no reason why a man who pays land revenue to Government should escape income-tax

Q.—You take the view that land revenue is simply a part of the economic surplus

A.—That is so

Q.—In Assam probably, relative to its size, a tax on agricultural incomes would yield a fair sum?

A.—I estimate one lakh of rupees for my division.

Q.—What about the tea planters?

A.—That would be much nearer half a crore. My estimate of one lakh was apart from the tea planters

Q.—Taking 25 per cent of the profits, the tax would amount to 17 lakhs and if you take the whole 100 per cent it would amount to 58 lakhs.

A.—Something like that, it is a big sum

Q.—You say that there is much to be said in the present state of Assam for substituting a tax on turnover for an income-tax. You cannot do that, because you cannot make a special case of Assam.

A.—You cannot do it.

Dr. Paranjpye *Q*.—Can you not issue a private order to your officials that if no other information could be got, the turnover might be used a basis for assessment?

A.—I think so, it was the practice a few years ago.

Q.—Very often in England, even now, the estimate is made by reference to the turnover when a man has not got proper accounts.

The President *Q*.—You have given us a quotation [illegible]

from?

A.—It is a quotation from the Permanent Settlement Regulation.

Q.—You do not think that any breach of pledge would be involved?

A.—I do not think so, but it would be regarded as such.

Q.—You say hemp grows wild and so affords easy means of cheap intoxication

A.—Yes

Q.—From this I assume that you can get intoxicated on wild hemp.

A.—Yes, it has the same effect as *ganja*. It would give you a worse head, but I have no personal knowledge

Q.—We have been told that you get the resin which contains the intoxicating property only when you grow the male plants separately and that if you grow the male and female plants together, you do not get any intoxication. Therefore there is no need to worry about wild hemp growing. Is your experience different?

A.—I have been told by Excise Officers that in the case of the wild plant you take the whole of the leaves, not merely the flower. It is not *ganja* properly speaking, but what is locally known as *bhang*.

Q.—We have been told, particularly in the United Provinces, which has the largest consumption of *bhang* in India, that it is an innocuous and cooling drink. Do you find that it is used for smoking like *ganja*?

A.—I do not know exactly how it is used; it is probably mixed with tobacco and smoked.

Q.—It seems to me to be a matter of considerable importance when you are pushing up the duty to an enormous height, that you are all the while allowing a substitute to grow wild.

A.—The fact is that villagers in the hills have found it worth while to collect this plant and sell it to coolies and others; so I assume it is the quality they want.

Q.—You are now putting the duty up to a level of Rs. 25 to Rs. 35, while *bhang* is practically almost untouched, and if it is as easy to get intoxicated on the one as on the other, it is rather a *reductio ad absurdum*.

A.—There is very little demand for the imported *bhang* which we get from the United Provinces.

Q.—Is there any Excise Officer up here who could put us in touch with the actual facts?

A.—I think there is an Excise Officer up here now helping to revise the Excise Manual; he may have practical experience of it.

Q.—Then you say "spirit is easily distilled from the rice beer allowed to the tea garden labourer." Is it in practice?

A.—Yes, it is quite common.

Q.—Is it very strong?

A.—In the early stages, it is very innocuous. Children of three years old take it easily.

Sir Percy Thompson.—Then how is it made strong?

A.—It depends upon the amount of water used. If you put very little water to the rice you get a strong beer, whereas if you put a large quantity of water you get a weak and innocuous drink, which will be very like barley water.

The President.—If you put no water?

A.—Then it is very strong.

Q.—That is what they use on festival occasions?

A.—Yes; they also mix something else which has an intoxicating effect.

Q.—There is no attempt to control that?

A.—Yes; there is no control beyond the prohibition of sale and possession of more than a certain quantity.

Q.—Do you think it will ever be possible to control it?

A.—No.

The Hon'ble Sardar Jogendra Singh. *Q.*—Do you think it is necessary to control it?

A.—I do not know. The general opinion is that it is not as strong as spirit.

The President. *Q.*—You say "Illicit distillation is known to be prevalent but interference is restricted by the danger of causing unrest."

A.—The illicit distillation is chiefly on the tea gardens. Visits by the police upset the manager of the garden. He does not want the police or the

Excise Officer to go into the garden. He generally lets things go on till it becomes a scandal and then he gives private intimation to the police officer who will then take action

Q.—And you cannot exercise a greater measure of control than that?

A.—Then we should run the risk of upsetting the labour force. They resent very much the interference of the police officers.

Q.—But cannot you compel the planters to stop distillation?

A.—He would be trying to keep it down himself and keep it in moderation.

Q.—Do you have a provision in your Act that the landlord is liable to prosecution if the act is committed on his land with his knowledge?

A.—I do not think so

Q.—You think you should raise the duty on country spirit?

A.—Only very gradually I think more might be transferred from license fee to duty.

Q.—You would allow " Local Governments to impose a duty on imported spirit not exceeding the duty on country spirit in addition to moderate license fees " You know that would create difficulties as between provinces? If you raise the provincial duty you would have to pay a preventive force to prevent spirit that has not paid as much as your duty from coming in.

A.—It will have to pay before coming in The present idea as regards liquor manufactured in Calcutta is that anybody who wants to import is to apply to his own district officer for an import certificate and pay the duty.

Q.—Then it would make each province a water-tight compartment. Is it not more satisfactory to leave the duty on foreign liquors to the Government of India?

A.—Yes; I see the practical difficulties

Q.—You say " Under a recent arrangement with Bengal this province will get the duty on country made foreign liquor and drugs imported into Assam from Bengal but the adjustment of license fees is still under consideration." What has Bengal to do with your license fees?

A.—They say they are getting very large license fees in Bengal on foreign liquor and the question is whether they should allow us a share in those license fees in respect of the foreign liquor sent from Bengal to Assam

Q.—The question is whether part of the fees paid in Bengal should be yours?

A.—Yes.

Q.—Bengal has the vend fee for liquor sold in Bengal but not on liquor sold out of Bengal They charge As 2 a bottle

A.—I am afraid I did not quite understand the principle.

Sir Percy Thompson. *Q*.—It may be that they want to charge As. 2 a bottle on the whisky sent to Assam and give you a part of it.

A.—I do not know.

The President. *Q*.—In answer to question No 94 you say " Heavier fees could be levied under the Arms Act Fees for sporting licenses might be raised." What is the present fee for a sporting license?

A.—Rs. 5 in the beginning and Rs. 2-8 on renewal

Q.—You mention a fee for taking extra ammunition?

A.—The present fees cover a certain quantity of ammunition but we give extra ammunition free

Q.—This is a local regulation?

A.—Yes.

Q.—You say that explosives might pay an excise duty. That is, locally-made gunpowder?

A.—Yes.

Q.—Would you approve of a monopoly of explosives?

A.—We have practically a monopoly. Everybody who manufactures explosives has to take out a license.

Sir Percy Thompson. *Q.*—You would not tax explosives made in Assam and let explosives made in Calcutta enter free. If you have the excise duty, would you not be killing the local industry?

A.—Yes; I am afraid that a provincial excise would not be workable.

The President. *Q*—Grazing fees, you say, could be raised? In Madras it is As. 3 for a cow per year.

A.—Here it is As 4 to As. 8 for a cow and Rs. 3 for a buffalo. It is a very small proportion of the produce. There is a great difference between the two in the consumption of fodder and there is also a difference in the outturn of milk and ghee.

Dr. Paranjpye. *Q*—Not to that extent 1: 2 would be the utmost ratio.

A.—Six maunds a year, I take it, is the milk production of a buffalo; and in the case of cows, very few of our cows will give more than a maund in the year.

The Hon'ble Sardar Jogendra Singh. *Q*—Do you think that the land revenue system as it is worked here is quite fair and just and is worked just as it would be worked by a prudent landlord?

A.—I think so.

Q—Have you a large area under permanent settlement?

A.—About 240,000 acres are under permanent settlement, and they have a sort of fluctuating settlement in the hills.

Q.—What standard do you work up to in fixing the assessment? Up to 50 per cent?

A.—We hardly base our assessments on rents

Q—What is your system?

A—We generally start by examining the present incidence and the condition of the tenants and estimate what increase can reasonably be expected owing to the general improvements in communications, etc, during the course of the settlement.

Q—You say " lands are not becoming more fertile "

A.—Yes.

Q—Are the holdings getting smaller?

A—The holdings, I think, are getting decidedly smaller and there is more encroachment on land liable to flood

Q.—What will be the average holding in the permanently-settled area and in the other area?

A.—I am afraid I cannot say that exactly. But I think in the permanently-settled areas, 7 or 8 acres is the average holding and in the temporarily-settled area it is less.

Q.—You say that the land revenue is not a tax.

A.—Though the element of taxation is not altogether absent, it is more in the nature of rent.

Q.—Then you recommend a tax on incomes derived from land. Supposing you had no landholders and you had no vested interests to give stability to the State: do you think it is in the interests of the State to interfere with vested interests when the income that you are going to get is not very great?

A.—I think it is very valuable to have people with vested interests who form a conservative block. I may say this: suppose you invest your capital in buying house property in a town, you do not thereby escape income-tax on your profits from rents.

Q.—Don't you find the *Mauzadari* system working in the interests of the State?

A—I think it is a most valuable class.

The President Q.—What exactly is the *Mauzadar?*

A.—He is something between a servant of the Government collecting rents and an agent who is making what he can. He has to collect a fixed land revenue and gets commission on the amount he collects.

Q.—Does the 10 per cent come out of the collection or will he have to take it in addition?

A.—It comes out of the collection.

Q.—Do you regard him as a useful collecting agent?

A.—He is far more useful as a representative of the Government.

Q.—You say that the total cost of collection is 10 per cent in *mauzadari* areas.

A.—Yes, practically the whole of the Assam Valley is *mauzadari*.

Q.—Do you have Tahsildars?

A.—Not in *mauzadari* areas. In certain areas Government collects through paid servants and the cost of that comes to only 5 per cent.

Q.—And you consider that the *Mauzadar* is worth the additional 5 per cent?

A.—I think so. In these areas in which there is no zamindar, he is the local big man and the representative of the Government.

Q.—You don't add any overhead charges in your cost of collection for the *Deputy Commissioner* and the *Commissioner?*

A.—I think it is included in the 50 per cent. It is only on the first ten thousand that 10 per cent is paid. Only 5 per cent is paid on the balance.

Q.—Is the *Mauzadar* hereditary?

A.—No; but the practice is to appoint a man of the same family—the next good man available.

Q.—You say that a tax on mutations would be very troublesome. Is not one levied at present?

A.—Mutations in the field are free. If you apply to the Deputy Commissioner there will be a small fee to be paid.

Q.—Mutation on the field—is that on a written application?

A.—As a rule it is on verbal application made in the first place to the village patwari and subsequently passed by a Circle Officer.

Q.—You say "it is not practicable to prevent fractionisation in a Muhammadan land."

A.—Yes; with the present law of inheritance, it is very difficult.

Q.—Would you tell us what is the system of assessing land in municipal areas to land revenue?

A.—I have very little experience. But I think that in Sylhet, for instance, it is all revenue free owing to some untraced free grants long ago. It was made into a *Kasba* which was always held free of revenue.

Q.—To whom was it granted?

A.—I cannot tell you. But we found the land in possession of a large number of people who claimed to hold it revenue-free. Our general principle now is to take a fair equivalent of the economic rent in assessing building sites in municipal areas on Government land; but it is very arbitrary.

Q.—Don't you follow the 1895 order of the Government of India?

A.—We endeavour as far as possible. But I don't think the rules are very easy to interpret. There is very little private land with which to compare it.

Q.—Don't you fix a quit rent and sell by auction subject to the payment of that?

A.—We do not sell by auction.

Q—Then supposing land which is assessed land revenue as agricultural land is subsequently included in the limits of a town, how do you deal with that case?

A—In the first instance we should not make any alteration; but in the next revision of the settlement we should treat them as bazar sites and apply the bazar rates

Q—Besides this *Kasba*, have you any other town lands that are free of assessment?

A—We have a lot of revenue-free town lands in Baniachand, the biggest village in the province, with 35,000 inhabitants. They have held these lands from time immemorial. It is not all revenue-free In some cases we brought civil suits and lost them In Shillong we have put up revenue very largely and are taking premiums

Sir Percy Thompson *Q*—Do you think it requires a revision of the law?

A.—The fundamental question is whether land revenue can be claimed after 60 years

Q—What we are trying to do is to make some sort of comparison between the incidence of land revenue in different provinces. What we have got to do is to get the economic rent where we can through a process of sampling and compare that with the land revenue in the areas in question Is it practicable to do that in Assam?

A—I think it is in parts of my division. I know very little of the Assam Valley I think a good deal can be done. We have not got a record of rights for Sylhet district In our temporarily-settled areas we have very little authority to determine rents So that there is no complete record of rents anywhere. A certain number of bonds are registered. We made an experimental survey and we collected good deal of information in other settlements.

Q—May we now come to minerals? The plan that has been more or less suggested to us in other provinces is to combine a flat rate on raisings and despatches, a special income-tax on landlords' royalties and a special income-tax or super-tax on companies' profits.

A.—In lieu of everything?

Q.—Whether a mine makes profit or not it ought to pay something for local services Landlords' royalty is purely an unearned increment and it is quite right he should pay a special tax as in England. Companies' profits vary very much with regard to the value of the minerals The suggestion made in Behar was that the taxes based on these three principles should be put together in a fund which should pay the Government of India for their specialised staff, pay the local bodies for roads and the balance should go to the provincial Government.

A.—This province is in a slightly different position. Except for one set of oil wells all minerals are in lands at the disposal of the Government. So we get the royalty.

Dr. Paranjpye. *Q.*—I understand you have got coal mines at Cherrapunjee How do you charge them?

A.—We charge nothing at present. But negotiations are going on for settlement.

Q.—There is an agreement with the people that each man is entitled to as much coal for himself as he likes?

A.—Yes.

Sir Percy Thompson. *Q.*—If you had a free hand in the minerals belonging to Government, you would charge such royalty as the quality of the coal or mineral would bear?

A.—Any way we follow the Government of India rates. We take a certain percentage of the value of minerals varying with the quality. In some cases for our own convenience we have converted this into a fixed sum per ton. The difficulty is really in estimating the value and it is not an easy matter.

The President Q.—When you have done that, have you not allowed for different qualities of coal which are being mined because you are charging royalty varying with the selling price?

A.—Yes.

Sir Percy Thompson Q.—If you tax the companies profits, are you not putting a tax on good management?

A.—Yes. The difficulty is we are already taking income-tax.

Q.—Income-tax is a general tax. This will be a differential tax on a particular industry.

A.—I do not like a differential tax on a special industry.

The President. Q.—Don't you think there is a reason in the fact that they are using a wasting asset which ought to belong to the general tax-payer?

A.—No, I think income-tax is a very much heavier burden on a wasting asset than on an investment which brings you a permanent income.

Sir Percy Thompson Q.—Is it not the owner's estate that is wasting?

A.—I think the owner's estate is wasting undoubtedly. But so is the trader's.

Q.—Only to the extent that his machinery wears out.

The President Q.—But actually in the case of the mines owned by Government you cannot take everything that you should take, because the Government of India rules prevent you.

A.—I am not in a position to say how much we could take. Any way at present we are bound by these orders.

Q.—In the case of the private mines the owners charge something very much more than the rate in the Government mines.

A.—I have no knowledge on the point, but the Government of India rates are very low.

Q.—You say that Orissa used to have a special rate of land revenue for tobacco so that I take it there would be no breach of the permanent settlement.

A.—There will be great difficulty in the case of tenants who have got occupancy rights holding under proprietors. We could not interfere with their rents without a radical alteration of the tenancy law.

Q.—Then you say that at one time there was a tax on betelnut.

A.—I believe so.

Q.—Can you give us the reference?

A.—I came across this when I was dealing with the Gazetteer of the Noakhali district. I think there is a note about it.

Sir Percy Thompson Q.—On what basis are local cesses raised for the purposes of the District Boards?

A.—The general idea is one anna in the rupee of revenue. That is the original idea. In the fully assessed areas it is one anna in the rupee of revenue with liberty to raise it to one anna three pies. In Sylhet district we had not the information to adjust it to rents and we fixed an all round rate at two annas per acre.

Q.—What you do is to charge one anna in the rupee on the land revenue of fully assessed areas of temporarily-settled districts. In the permanently-settled district you charge two annas on what would have been land revenue had it been fully assessed.

A.—In practice you will find two annas is what they pay in Sylhet. It is given in the Local Rates Regulation. Clause (c) provides for the permanently-settled areas in Sylhet district. Certain allowances are made for waste lands.

Q.—(b) is the thing that puzzles me.

A.—Clause (*b*) is complicated but only applies to a limited number of old grants.

Q.—In the ordinary way you charge on once the land revenue. In this case you charge on twice.

A.—On revenue-free lands it is paid on twice the estimated land revenue.

Q.—Why?

A.—I suppose really they wanted to get something out of them.

Q.—But generally speaking it is one anna in the rupee on fully assessed lands

A.—That is the general thing.

Q.—I understand you have some complicated provisions for the apportionment of the cess

A Yes.

Q.—Can you say what is done in the temporarily-settled districts?

A.—As far as I know in the temporarily-settled areas nothing is recovered from the tenant. That is, in the case of the peasant proprietor letting out land.

Q.—In the temporarily-settled areas?

A.—In some cases the landlord gets nothing at all. In others he recovers one anna in the rupee of revenue

Q.—An anna in the rupee of rent is more than an anna in the rupee of revenue?

A.—A great deal more It is quite impossible to say on whom the cess ultimately falls in the Sylhet district It varies from the landlord paying the whole to the landlord making a profit on it The commonest of all is to take half an anna in Sylhet Where more than half an anna is taken it probably includes illegal cesses If you ask them about that they say it is local rate But it is something besides local rate.

Q.—Has this practice been in force for a long time?

A.—I think since the Regulation was passed. In the permanently-settled areas the rents got increased by various ways The landlords can increase the rents through the courts on certain grounds and increase them very summarily in the case of the tenants who have not got occupancy rights In the temporarily-settled areas the tenants have no protection

Q.—Is it not the case that the local rate is paid either by the cultivators or the landlords and that the balance of local taxation is heavily weighted against the agriculturist

A.—Yes. But the boards get a good deal in the form of grants from Government and also have income from forests and pounds.

Q.—Take a shopkeeper in a village. What contribution does he make?

A.—Practically nothing direct. He pays to the provincial revenues and the province contributes to the local board

Q.—Is it not desirable to have some sort of tax on non-agriculturists, something like the circumstances and property tax?

A.—People suggest that in the place of the local rates.

Q.—Then the absentee landlord in some cases won't pay anything.

A.—Unless he is a resident he will cease to pay anything

Q.—As regards municipal finance you say something about a tax of 1¼ per cent on the annual income of the rate-payers What is that?

A.—That is the way they have interpreted the tax on circumstances and property The assessor made an estimate of the income of every person in the town and he proposed to take a tax of 1¼ per cent.

Q.—People have told us that a tax on circumstances and property is quite impossible in the municipalities because there is nobody who is aware of the incomes of the inhabitants.

A.—I think for purposes of assessment they would base it on the apparent position and expenditure of the man They would consider his style of living.

Q.—The reason people do not object to this arbitrary assessment is that the rates are very small?

A.—I should not call the rate very small but the estimate of income is extraordinarily small.

Q.—You say the latrine fee is 10 to 12 per cent, water rate 6 to 7½ per cent. Why are the rates heavy?

A.—The conservancy charges are very high, and rents very low. Our water schemes do not usually pay their way and are assisted from general revenues

Q.—The latrine rate is not giving more than the cost of conservancy?

A.—It is supposed not to do so

Q.—What is the item, Government buildings?

A.—Government have agreed to pay 7½ per cent on the annual value in addition to the water rate and the latrine rates

Q.—Who does the assessment?

A.—Sometimes it is done by the Ward Commissioners in the Municipal Committee, but lately it is being done by paid men. Assessment is done in Sylhet by a man who is paid Rs 350 for the whole job of revising the assessment

Q.—Do you think it is fairly well done in this province?

A.—I think they are extraordinarily inaccurate.

Q.—There is no favouritism?

A.—I would not be prepared to say that I have had no serious complaints made to me about this I can only say that it is done very roughly, but there are no serious complaints made

Q.—On what principles are the grants-in-aid given by the Government to the District Boards and Municipalities?

A.—Originally I think a grant of 25 per cent of the ordinary income of the local bodies was given by the Bengal Government It was meant to assist them in improving communications Now-a-days a certain amount of money is given every year by Government and the Commissioner of the Division distributes it between the local bodies in his division primarily in accordance with their local rate income, but with liberty to vary it in accordance with their needs.

Q.—It is not used at all as an instrument of control?

A.—Practically not.

Q.—Could it not be made an instrument of control? Could you not require a certain standard of efficiency?

A.—The trouble is if you withhold the grant from an inefficient board it would get into a dreadful state, the roads would remain unmended and the schools would fall down, so that the possibility of control is rather limited. We have in a few cases tried to use this power by compelling the boards to utilize properly the grants given for special purposes and spend them only on such purposes. For instance, take the case of education grants, Government gives a very large amount of money every year towards primary education and there is a tendency sometimes not to spend the money on this object and to divert the money to other purposes

Q.—If you exercise control, you can use it very sparingly no doubt, but would it not tend to a certain standard of efficiency?

A.—It is done even now. The Commissioner does not distribute the sum placed at his disposal definitely in arithmetical ratio according to the local rates, but he does take into consideration how a body is likely to use the money. The Commissioner in that way exercises a control over their expendi-

ture and efficiency. If I find that they are not spending the grants properly, I would certainly reduce the grants

The President. Q.—Actually the sums raised by local taxation are wholly inadequate for the purposes for which they are required?

A.—Yes, wholly inadequate

Q.—I see in the review of your last report on the working of municipalities it is said that "it would, however, be idle to pretend that there has been much improvement in the condition of the municipalities. This cannot be expected unless and until the local authorities obtain larger resources to be utilized for the benefit of the area under their control" Don't you think that there are several measures which can be adopted to provide the local bodies with funds required for their development?

A.—There is no question that the present system of taxation is very inadequate and if the local bodies want to run their administration properly, they will have to tax themselves

Q.—You mention a circular letter which has been issued in this connection, can you tell us what suggestions are embodied in this circular letter?

A.—One question is about revising the Local Rates Regulation so as to increase the present rate to one anna and four pies, then there was another suggestion that the village authorities under the local boards should be given power to impose local taxation for their special needs, and generally the reply from the local bodies in my division was, that they were opposed to any further form of taxation, but they suggested that chowkidars should be abolished and the proceeds of the chowkidari tax should be placed at their disposal

Q.—Would that be legal?

A.—It would require a special Act and something is necessary to take the place of chowkidars if they are abolished.

Q.—Even that suggestion would fall short of what other provinces are actually doing?

A.—I imagine so

Q.—Actually in the case of local bodies you see more than half of their income is from the general tax-payer and the remainder—a considerable sum at least—is derived from pounds Is it not in the form of a disguised subsidy?

A.—At present it is a disguised subsidy because the control still lies with the Magistrates

Q.—There is also a considerable sum of income on ferries?

A.—Yes

Q.—Do you think it right that ferry should be a source of revenue over and above the services rendered?

A.—Not theoretically of course, but having been taxed for a long time the people have become accustomed to this. I would rather prefer to keep it on rather than substitute something else.

Q.—Is it fair that when there is already a natural obstacle you should add another obstacle in the shape of taxation?

A.—I see the objection to it, but they have to pay something for the upkeep of the ferry and there is no objection to pay something more.

Q.—You are penalising the community who are on the wrong side of the river?

A.—Yes, to some extent.

Q.—You propose some form of tea cess on tea gardens. Will it be on the acre or on the produce? What shape would it take?

A.—It would probably take an acreage rate

Q.—It would rather like a regular land cess?

A.—Yes.

Q.—Have you taken any steps to compel the municipalities to meet their own expenditure in the case of water works? I see they are running at a loss.

A.—They have been induced in some cases to increase the water rates, but still they are having a minus balance

Q.—Government contributed to the original construction?

A.—Very considerably partly by loans and partly by grants.

Q.—Can you tell us the proportion?

A.—I am afraid I cannot say that

Q.—You have very rightly pointed out that the rates paid by Government should not be regarded as taxes on the inhabitants Do you consider one taxing authority should take the property of the other?

A.—For instance, in Sylhet, Government buildings are the only substantial *buildings which can be taxed The great bulk of the people live in bamboo* structures of very small value There is no use of levying house tax on such people

Q.—Have you got no metre system for water connections?

A.—That is one of the proposals which Government is urging on the municipalities for years, but they are turning a deaf ear to it.

Q.—Can't you enforce it by refusing grants?

A.—I think we can do it

Q.—I see you suggest licenses for bombs and musical parties?

A.—Yes, I see no reason why you should not tax the bombs, etc, which are fired during the marriage times, creating inconvenience and trouble to others

The Hon'ble Sardar Jogendra Singh. *Q*.—Have you got any idea where the shoe pinches badly and whether it is necessary to lighten the burden of taxation?

A.—The man who gets off more lightly is the garden labourer and the day labourer who is not able to pay any substantial amount. Otherwise it is a fairly well distributed burden on the general agricultural classes. I do not think it is heavy on any class

The President. *Q*.—Is it not light on the small trader?

A.—I think if he does not pay any income-tax it is certainly very light.

Q.—What about the permanently-settled landlord? Does he pay much?

A.—Well, he also gets off very lightly indeed so long he has not to pay any income-tax.

The Hon'ble Sardar Jogendra Singh. *Q*.—In the case of permanently-settled landlords, what proportion does land revenue bear to their income?

A.—I think about one-tenth.

Q.—Does it not save Government about ten per cent in collection?

A.—I think it is about 5 per cent.

Q.—What about the local cesses?

A.—They pay local rates and land revenue generally in the same proportion.

The President. *Q*.—Have you any figures of their rent-roll?

A.—We have only in a few cases.

Q.—Is your land revenue there one-tenth of the rent-roll?

A.—I think it is about one-tenth

Q.—There is no other income besides the rent-roll?

A.—No other substantial income.

Q.—No substantial income from forests and fisheries?

A.—In certain areas the income is very large, but in the particular areas I am thinking of, it is not substantial.

Q.—What percentage of income does a tea estate pay in land revenue?

A.—One to two per cent I think.

Mr. A. PHILLIPSON, I.C.S., Deputy Commissioner, Lakhimpur District, Assam, was next examined.

Written memorandum of Mr. Phillipson.

Q. 1.—The statistics given in Annexure A are not, in my opinion, very reliable on account of the agency employed to collect them. The duty of collecting such information is very frequently delegated, rightly or wrongly, to persons not fitted to supply accurate information.

Q. 2.—The wide variation in the average income of the inhabitants, as estimated by different persons or methods, discloses the unreliability of the conclusions.

Q. 3.—I agree that statistics of Income-tax in India are for more unreliable than the corresponding figures in other countries.

Q. 5.—I believe that the difficulties attending a census of production in India would be similar, if not greater, than those in England. And the result would be more inaccurate.

Q. 6.—I would not advocate all-India legislation on the lines recently introduced in the Bombay Legislative Council, until time had been allowed to see the operation of such an Act in Bombay.

Q. 7.—Accurate information on the subject of wages and prices with a knowledge of family budgets would be valuable for the purpose of arriving at an approximate estimate of the incidence of taxation. It would, I think, be possible to say roughly for different classes of income what percentage is paid in taxation.

Qs. 8 and 9.—The incidence of taxation on different classes might be calculated from (a) their real earnings and expenditure together, (b) an estimate of the amount of tax paid on each commodity consumed and (c) the direct taxes paid by them. But the result would be only approximate, because a tax on a commodity is not borne by the consumer alone. It is generally divided between him and the producer in a ratio which is indeterminate, and depends upon the "elasticity" of the demand. An accurate estimate of the real incidence of taxation would require a statistical knowledge that is expressible with the accuracy of mathematical laws. Yet in practice, even a rough estimate of the division of a tax on a commodity, between producer and consumer, might admit of calculations that would be useful for the purpose of broad comparison of the taxation borne by different classes. At any rate, an upper and lower limit of the relative percentages paid in taxes might be determined.

I would suggest a division of the population with reference to the taxes that affect them into (1) actual cultivators, (2) landowners and landlords, (3) agricultural labourers, including such as work on tea gardens, (4) those belonging to the class of Indian clerical establishment with pay up to, say, Rs. [illegible] tions in [illegible] class is, [illegible] different [illegible] Indian [illegible] Indian [illegible]

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Q. 16.—In my opinion, when land newly brought under irrigation or guaranteed a supply of water for the first time, increases largely in value, the

State is justified in taking a portion of this increase, because the State has risked the expenditure of capital supplied by the whole population for the benefit of a section of it. It is less easy to fix what proportion should be taken, but it might reasonably be fixed on the basis of insurance against risk. For example, if such reclamation experiments succeed four times out of five, Government might claim at least 25 per cent. of outlay on successful projects.

Q 19—Taxes imposed solely for expenditure on the needs of particular localities should I think, be eliminated from the consideration of the general incidence of taxation, *e g*, in the case of expenditure for irrigation, for the construction of embankments to prevent floods, for making local roads and bridges ferries, etc.

Q 21—I do not regard any taxes, indirectly imposed, as voluntary. To say that a man pays a tax voluntarily because he chooses to purchase a particular commodity which has been taxed, is a mere distortion of words. If the particular commodity were not taxed, he would obviously have more to spend on other things and to that extent, he is making a sacrifice.

Q 23—I do not agree with the statement that taxation imposes no economic burden in the case of smokers, and drinkers, who contribute heavily to taxation although they may do without the commodities taxed if they choose

Q 24—Similarly I regard a tax on entertainments or on railway tickets as *not optional because the payer of the tax is to that extent deprived of* other amenities of life on which he might spend it.

Q 25—I think that if any particular class abstains from intoxicants on account of religion or custom, then they do not in fact bear the burden imposed by excise revenue. In each case, it seems to me to be necessary to look at the actual simple facts in estimating the incidence of taxation and not to base conclusions upon motives or hypothetical considerations.

Q. 27—In my opinion every member of the community should pay a tax of some sort, however small, unless he is a pauper.

Q 28—As an ideal, I think that taxation is a proper accompaniment of representation. But in practice, where education is backward or where the State is dealing with primitive peoples and tribes, the ideal cannot be realised. Taxation may be inevitable even when representation is absent or nominal.

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interest in the State's activities.

Q. 30—I do not recommend a direct tax, but a poll tax may be the only means of taxation in some cases (as with some hill peoples in Assam, where no other tax is practicable). In Assam there are certain tribes who are migra-

forms of taxation, and education and public spirit are not sufficiently general for the public to appreciate the objects of such taxation.

Q. 33.—I am not in favour of raising the income-tax in India unless it is indispensable for want of alternatives, because in my experience it is a tax more commonly evaded than any other tax The result is that those with known incomes, and the honest, pay for large numbers who evade such payment.

Q. 34—Nor would I recommend any further graduation in the present scheme, for similar reasons

Q 35.—I do not think that any differentiation in earned and unearned incomes would be productive of much practical result in India. Differentiation in favour of sums shown to have been invested in productive enterprises would lead to evasion. Amounts invested might be exaggerated and it would also be difficult to prevent a productive enterprise from being sold or recon-

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Q. 28.—As an ideal, I think that taxation is a proper accompaniment of representation. But in practice, where education is backward or where the State is dealing with primitive peoples and tribes, the ideal cannot be realised. Taxation may be inevitable even when representation is absent or nominal.

Q. 29.—I think an indirect tax is preferable to a direct tax in the case of the poorest classes because payment is made in trifling and unnoticed instalments. As such persons generally do not appreciate why the State requires any revenue, so they do not notice their contributions to it. Nevertheless it has been held as an ideal that all should pay direct taxes as a stimulus to an interest in the State's activities.

Q. 30.—I do not recommend a direct tax, but a poll tax may be the only means of taxation in some cases (as with some hill peoples in Assam, where no other tax is practicable). In Assam there are certain tribes who are migratory and cultivate Government land and at the same time escape the payment of land revenue. The poll tax is a substitute for such payment. I have no [illegible] ut think [illegible] an other [illegible] general

Q. 33.—I am not in favour of raising the income-tax in India unless it is indispensable for want of alternatives, because in my experience it is a tax more commonly evaded than any other tax. The result is that those with known incomes, and the honest, pay for large numbers who evade such payment.

Q. 34.—Nor would I recommend any further graduation in the present scheme, for similar reasons.

Q. 35.—I do not think that any differentiation in earned and unearned incomes would be productive of much practical result in India. Differentiation in favour of sums shown to have been invested in productive enterprises would lead to evasion. Amounts invested might be exaggerated and it would also be difficult to prevent a productive enterprise from being sold or recon-

structed with the object of defrauding the income-tax authorities, after the exemption or concession had been obtained.

Q. 36.—If any allowances are to be made for a number of persons supported out of particular incomes, the enquiry should be confined to near and clearly specified relatives, for definite reasons of age or infirmity. This is necessary because the head of a family in India often declares he has numerous dependants of whom several are capable of earning their own subsistence.

Q. 37.—I see no objection to the Indian super-tax on companies so far as it is based upon the ability to pay. Individual shareholders can get a rebate if they are entitled to it, by declaring their income. The only objection is that noticed in question No. 33 above.

Q. 38.—I am in favour of the removal of the exemption of incomes derived from agriculture. Agricultural incomes have been exempted on the ground that a tax is paid in the shape of land revenue. I regard land revenue as a rent or the price paid for the use of an instrument for production, and I do not see why the ordinary canons of taxation, such as ability and equality should not be applied to such inco [illegible]
stitute for income-tax, it should [illegible]
and be graduated. For these re [illegible]
earnings of a farmer and the income of the absentee-landlord or the money-lender who has become a landowner through the foreclosure of a mortgage.

In Assam, apart from the Tea industry, I doubt if one cultivator in a hundred would be required to pay income-tax if the present limits of exemption were applied.

Q. 39.—In Assam, the Tea industry alone, if not partially exempt from the payment of income-tax, would contribute a further Rs. 45 to Rs. 50 lakhs a year on the basis of 1923-24 statistics. Other cultivators as stated above [illegible] due [illegible] id 5. [illegible] ., is [illegible] xed, [illegible] d to [illegible] , as [illegible] the lower range of incomes.

Q. 41.—As stated above, I think there is a great deal of evasion in the payment of income-tax and that the growth of an accountancy profession has not eliminated it. Skill in accountancy may even help to conceal it. I do not believe that even the expert auditing of accounts discloses all malpractices. For auditing only deals with formal receipts and papers placed before the accountant. Again the accountancy profession does not even touch the accounts of bazar dealers and shopkeepers where evasion is most common.

A centralised and more efficient system of income-tax control is beneficial, but has not, in my opinion, removed the reproach that an income-tax is a tax on honesty.

Q. 42.—The introduction of a prescribed form of account for different classes, such as bazar dealers, farmers and public companies, would make it easier to detect omissions and fraud. Such forms would not be necessary for salaried persons.

Q. 43.—As in England non-official Assessors and Commissioners are employed as a check on evasion, so in India it might be useful to have an Advisory Committee to assist the Income-tax Officer to point out the direction in which he might investigate individual cases.

Q. 44.—I agree that the issue of tax-free securities favours the wealthy to an extent commensurate with the rate of graduation of the income-tax.

Q. 46.—My experience of the provisions about double income-tax is that they are working satisfactorily. But it is believed that incomes derived from outside India and remitted to India, often escape taxation.

Q. 47 —The assessment on previous year's income in India is far preferable to an assessment on a three years' average. It is extremely difficult in many cases to get accounts for one year. Moreover the results would be unreliable or worthless, and the difficulties would be multiplied if we required three years' accounts

Q 48.—(a) I agree that the range of commodities should be small consistently with reaching all classes.

(b) It would, I think, be possible to tax commodities without in any way impairing efficiency It is well known that labourers in India who receive a sudden rise in pay reduce the amount of their work rather than increase their standard of living This is reported to have happened in the coal mines and is also observed in tea gardens. A tax even on necessaries, would in such cases have the effect of increasing the amount of work rather than of reducing the standard of living. A tax might even raise the standard if the proceeds were used in whole or in part to provide amenities for the classes in question, *e.g.*, better education, compulsory sanitation, improved dwellings with better lighting

(c) In practice, it would only be possible to tax a large proportion of the population in India through necessaries

Q 50 —I do not consider that a graduation of taxation of commodities is practicable It would moreover encourage the use of inferior articles and so perhaps injuriously affect health.

Q. 51.—I agree that from the fiscal and economic point of view, there is hardly a more suitable commodity than salt for purposes of taxation It provides a certain and convenient means, which cannot easily be evaded, for the collection of a small tax from all classes. The opposition is mainly political and provides an opportunity to politicians to assume the role of protectors of the poor.

Q 52 —The rate of tax imposed in India is low and amounts to 3 annas a head, as against the average annual income which is estimated to vary between Rs 74 and Rs 112

Q 61 —I do not anticipate the successful introduction of a policy of total prohibition in the near future. Laws may be passed, but they will be largely evaded At the present time, there is a great deal of drinking of alcoholic stimulants made at home while the total prohibition of opium, for example, will stimulate smuggling and encourage the use of substitutes, such as *ganja*, that can be grown surreptitiously.

Q 62.—I suggest that if excise revenue is to be replaced by new taxes, they should be diffused over the whole population For this purpose, I recommend a salt tax, land revenue increase, and customs duties on such commodities as would affect those unaffected by salt tax and land revenue.

Q 63 —(a) A tax or alcohol probably diminishes its consumption and does good to that extent.

(b) It is true that European Governments derive large revenues from the tax on malt liquors and tobacco I think the reason is to be found largely in convenience, tradition, and plausibility, rather than on grounds of equity.

(c) The policy of discouraging the consumption of intoxicants is sound apart from the raising of revenue. But it may be necessary to supplement this by the taxation of necessaries for fiscal purposes. But excessive taxation of intoxicants stimulates illicit distillation and smuggling, and a point will be reached at which the tax will cease to be productive.

Q. 64 —The taxation of liquor and opium and *ganja*, the main intoxicants in Assam, is, in my opinion, sufficient from the point of view of taxation. A further increase merely to raise revenue would be unfair to the particular sections of the population which consume those articles. If however the taxation be viewed as a deterrent to consumption, I am very doubtful if such a measure will succeed without a greatly improved and expensive system for preventing illicit distillation and smuggling.

Q. 65.—The variation in the price of country spirit throughout India seems unnecessarily large even allowing for varying local conditions, though the evil results are not so marked, for obvious reasons, as in the case of opium.

I am unable to say how far different provinces would accept a uniform rate for some standard quality to be fixed by the Government of India, it is a matter for enquiry.

Q. 66—The rate in Assam is Rs. 5 a gallon. While illicit distillation is, I believe, very common, especially amongst coolies in the gardens, I do not think small variations in Assam have affected the extent of such private production

Q. 68—I do not think any advantage from supplementary duties on foreign liquors, imposed by Local Government, would compensate for the disadvantages of dual taxation.

Q 71.—*Charas and bhang* are not consumed here (Lakhimpur district, Assam) I do not know of any adequate reason for variation in the duty on *ganja* throughout India. The evasion of duty in this respect, when it occurs in Assam, takes the form, not of smuggling but of concealed cultivation.

Q. 73.—In my experience, the system of vend fee by auction is *not* satisfactory. The competition is intense and the auction almost unmanageable. A large number of traders offer the maximum prices acceptable and if permitted, the bidding would far exceed the price at which the license can be expected to pay, but for illicit practices The licensees are then selected with the aid of an Advisory Committee, and canvassing both of the Deputy Commissioner (however unavailing), and of the members of the Committee, takes many forms.

Q 75.—The variation in the duty on opium in different provinces of India is a direct encouragement to smuggling It is at present possible, and I do not think very difficult to send a seer of opium by post from the Central Provinces to Burma, and to make a profit of nearly Rs. 120 by doing so I believe that in this district alone (Lakhimpur) lakhs of rupees of such illicit profits have been made in recent years by the importation of opium chiefly from Indian States. Each province has presumably fixed the duty at the most suitable figure, with an eye to revenue and reduction of consumption, and with due regard to local conditions I think that if the Government of India were to fix a uniform duty for all provinces throughout India, the gain from reduction in smuggling and better control, would outweigh the disadvantages.

[illegible]

clerks on the railway, boatmen and even by some persons whom it is customary to regard as above suspicion.

Q. 78.—I would favour a tariff on a few representative articles in common use consistently with reaching all classes This would reduce cost and difficulties of administration and at the same time avoid unnecessary irritation.

Q. 83.—*Ad valorem* duties are preferable where articles in one class vary [illegible]

Q. 89.—I do not think that taxes on judicial proceedings can be justified on the ground that those who resort to law are better able to pay taxes. But some payments over and above the net visible cost to the State can, I think, be justified on other grounds. Judicial services can be rendered only by the State, for to be of any value, the decisions and decrees must be enforceable.

and this is only possible because the State can command the necessary force. Therefore individuals who so shape their affairs that they require this State aid or intervention, should bear not only the immediate or visible expenses of the judicial proceedings but also an additional share in the cost of the power behind the State

Q 90—Stamp duties may theoretically be in restraint of trade, but in actual practice moderate duties of this kind are not likely to have any adverse effect on exchange and commerce generally

Q 92—Fees are charged on account of ferries, *hâts*, pounds, etc. There is an element of taxation in these fees because the receipts are greater than the cost of maintenance and the licenses, therefore, realize substantial sums in auction

Q. 93—There is some justification for the levy of registration fees in excess of the net visible cost, on the grounds that the service rendered is not simply in the nature of a commercial transaction but is inseparable from the State and its organisation (*see* Q 89)

Q 95—I would advocate the increase of older taxes in lieu of the enter- [illegible] in its incidence and falls unduly on town [illegible] such a tax than for a tax on chocolates [illegible]ients generally In principle, I cannot [illegible] more than good books for the pleasure they give, and bad books for the harm they do—like intoxicants.

Q. 96—A tax is a payment to the State to defray the cost of services to the population in general. Rent is a payment made for the use of land, as a means of production In my opinion, Indian land revenue is not a tax, but a rent. I do not know of any cases in India in which such payments partake of the character of a tax.

Q 97.—In my experience, payment of land revenue does not affect the prosperity of the cultivator except of course in so far as it reduces his income by the small fraction paid as rent In Assam ordinary cultivators pay about 8 per cent of the produce in land revenue.

Q 98.—The land revenue assessment to some extent takes into account "ability to pay" so far as it is proportional to the area of land held, but it ignores that principle in so far as it is not levied on a graduated basis.

The assessments do not lack the element of certainty alleged, in so far as my experience of Assam and Bengal goes It is true that the land revenue regulations provide for an increment of land revenue after a period of 20 years with a proviso that it should not ordinarily exceed 33 per cent. of the existing revenue. Such increments are in practice only made after elaborate enquiries by special officers on account of the altered level of prices of the produce or of similar considerations. Such changes when made can hardly be said to conflict with the principle of certainty. The fluctuations are probably less than in the case of income-tax, customs and excise duties.

The allegation that the present system leads to more official tyranny and extortion than any other system, is in my opinion without foundation—certainly in Assam. During three and half years' experience in Bengal I found the extortion that might have been exerted, was not official, but on account of exactions by zamindars in the shape of *dasturi*, *salami*, and fines. The time of payment of revenue, in Assam at any rate has been fixed with due regard to the convenience of the cultivator

The expenses of collection in this district of Assam amount approximately to 5 per cent. of a revenue amounting to 12 lakhs.

Q. 99.—Temporary settlements are based partly on the level of prices, but I do not think that this actually leads to any inequality. There is always a very substantial margin left in favour of the cultivator. The price of his produce has more than doubled in the last 20 years, but his revenue will not be raised by more than 30 per cent. and will probably be less.

Q 100.—Rupees 2,000 a year is certainly above the subsistence level in India. Exemption from land revenue where the income falls below a certain figure would lead to further fractionisation of holdings.

The argument that incomes derived from agriculture should be exempt from the payment of land revenue in the same way as in the case of income-tax proceeds in my view from a misunderstanding of the real facts. The exemption limit in the case of income-tax is fixed with regard *to the imposition* of an irritating direct tax. Land revenue, on the other hand, is a payment made to the whole population represented by the State, by a section of it who use this instrument of production limited in amount and belonging to the State The arguments used in favour of exemption of some cultivators might equally well be applied to those who use the railways. It might even be extended, and justify the grant of a subsidy to the poorest classes.

Q 101 —I would not approve of a tax on mutations with a view to checking fractionisation It would hardly be effective unless it were equal or nearly equal to the capitalised value of the gain to those who proposed to divide up their holdings as a means of avoiding the payment of a tax

Q 102.—I can see no reason why waste land belonging to Government and brought under an irrigation scheme should become private property. A similar consideration would apply to land reclaimed in any other way, *e.g.*, by the construction of embankments.

Q 104 —The most useful comparison to make of the incidence of land revenue in different provinces would perhaps be according to method No (5), *viz* , by calculating what fraction of the produce is paid in land revenue.

Q 105 —In theory, the State might reasonably take most of the exceptional profits of a mine, *i e* , difference between the profits of a particular mine and the worst mine which it just pays to work—the difference which gives rise to the Ricardian theory of rent In practice such an appropriation by the State would lead to uneconomic working and wasteful expenditure. I would therefore favour the levy of a tax on minerals by an adjustment of royalties as the most practicable method, and to a point at which enterprise in a highly speculative undertaking would not be discouraged.

Q. 106 —I accept the broad principle stated here for the levy of national and local taxes.

Q. 113 —There are good reasons for limiting a tax levied by local authorities in India [illegible] of classes, the standard of a[illegible]d disinterested public spirit [illegible]ited powers of taxation enjo[illegible] England. This limitation in [illegible] forms of taxation, so much [illegible] restriction is a lesser evil tha[illegible]rable scale

Q 114 —The limit of exemption from the house-tax in municipalities in Assam is not specified; but the Municipal Commissioners may remit such a tax in cases of hardship according to their discretion

Q. 115.—I would rate municipal sites on periodic valuations and exempt improvements (such as buildings).

[illegible] Governmental funds when given to [illegible]ould be earmarked for particular [illegible] to purely local purposes Such [illegible]n and the contribution made by that population to the general fund.

Q 118.—In my experience, there is a standard of efficiency maintained by local bodies in regard to primary education, and sanitation, and road maintenance, sufficient to justify grants-in-aid by the State for such specific purposes. The attention to sanitation is less noticeable, but on the other hand, the amount of money available for this purpose is generally very small.

Q. 119.—I am not in favour of the introduction of the new taxes suggested, as the incidence would be uncertain and unfair and would probably lead to restraint of business and evasion.

Q 120.—(i) This proposal is the most ideal and most scientific because it conforms to the principles of ability to pay, equality (or fairness), convenience of administration and inexpensive collection. The objection, as pre-

viously noted, is on account of evasion in some quarters, and the irritation of assessees giving rise, especially amongst the poor classes, to a suspicion of extortion

(ii) I would select, as already noted, income-tax on agricultural incomes, succession duties and taxes on such luxuries as motor cars and horses if not already sufficiently taxed by customs duties.

(iii) A tax on dowries seems fantastic and it could easily be evaded

(iv) A tax on advertisements and patent medicines could be justified in the same way as a tax on intoxicants A tax on "increment value" is also recommended if adequate notice is given so as to avoid disappointment of expectations especially of those who purchase on account of future value I would also recommend the taxation of expensive luxuries which are clearly a measure of a man s ability to pay, but I would not include houses, because in India a wealthy man frequently occupies a modest house The taxation of houses in municipalities often leads to remarkable results For example, in the Dibrugarh Municipality there are 3 000 tax-payers in a population of 14,600. Out of a total collection of Rs 42 400, a handful of Europeans contribute Rs. 4,566, a few Government buildings contribute over Rs 7,000 Thus between a dozen and 20 buildings contribute over Rs 12,000 out of Rs 42,400 received from 3 000 tax-payers The latter figure includes many Indians of very substantial means In other municipalities Indians of wealth, by reason of the houses they occupy, contribute much smaller municipal taxes than others having only a fraction of their income The house occupied is accordingly not a good criterion of ability to pay.

Q. 121 —I agree that from a fiscal point of view, tobacco is a very suitable commodity to tax It is true the taxes raised in this way leave out of account a large number of non-smokers on whom it would be difficult to impose a countervailing tax

Qs 122 and 123 —Should tobacco be taxed, I think the simplest method, having regard to the large area under cultivation in different parts of India, would be to tax the cultivator at the source on the basis of acreage. In Assam the collection and assessment of such a tax would be facilitated through the Land Records Staff which exists

Q. 124.—It would be desirable to prescribe a minimum area of tobacco cultivation for any one individual, and be possible to do so through the Excise and Land Records Staff. At the present time the cultivation of opium in India is restricted in a similar manner.

Q. 125.—Variation in fertility might be allowed for, by the introduction of a soil factor in each province or district or locality and could be corrected it necessary after experimental harvesting of the crop.

Q. 127.—The difficulties which now exist to prevent import from Indian States in the case of opium, would recur in the case of tobacco

Q. 128 —I do not think it would be practicable to impose an acreage duty at the time of bringing of the leaf into bond. Much of the tobacco so grown would be locally consumed.

Q. 129 —The cultivator should not be allowed to grow any for domestic purposes, as this would lead to abuse and be a direct encouragement to large numbers of cultivators who do not now grow tobacco, to take up its cultivation.

Q. 137.—The principles and considerations which have led to succession duties in England and in other countries are, I think, equally applicable to India, though the administration would be more difficult.

Q. 138 —Such taxes could be graduated in India according to the size of the estate and according to the degree of relationship of those who inherit the property. The opportunities in India for evasion are, however, greater than in European countries on account of the greater prevalence of *benami* transactions and the existence of joint families. In the one case there would be no definite succession and in the other the amount of property passing is successors might be only a fraction of the actual estate.

Q. 141.—Whatever method might be adopted to meet the difficulties arising out of the joint family system, the fact would remain that at death only small shares of any particular estate would come up for consideration and not the whole estate, as in England.

Q. 143.—The plea urged by Sir James Stephen that a succession duty in India would operate unfairly under the joint family system would seem to be justified in special cases of businesses, but this would not apply to the case of zamindaris and properties consisting of houses and other buildings.

Q 144.—Payment of succession duties could be enforced apart from penal measures, by invalidating transfers in the absence of a probate or succession certificate The transfer of movable property, however (apart from stocks and shares) could seldom be detected The valuation of other property could be made generally through the executive officers of Government with provisions for right of appeal similar to those existing in the Income Tax Act

Q 145.—The existing machinery for the collection of income-tax might be conveniently applied, with some extension perhaps, to the collection of succession duties

Q 146—The limit of exemption in the case of succession duties would be somewhat arbitrary and might be fixed at Rs. 1,000 for the value of the whole estate The limit should not, however, be fixed in practice on the basis of the shares inherited by individuals because of the ease with which fictitious successors could be introduced to divide the estate, and then to transfer their shares to the real inheritors

Q. 147—The second, third and fourth principles stated here, appear to me to afford a sound theoretical basis for the division of Imperial and Provincial taxes.

Q. 148—The revenue of the Central Government is certainly dependent on the fluctuations of trade, particularly on account of varying receipts from customs, railways and income-tax.

Qs. 149 and 150.—I think that in the division of the proceeds of taxes [illegible] between commercial and agri- [illegible] will probably vary with their [illegible] by the Central Government or [illegible] ommercial province will need more money for roads, hospitals and probably for education than an agricultural province, even allowing for differences in population.

Q. 151—In my opinion, land revenue should be provincial, because—

(a) the system varies from province to province,

(b) the Local Government should be given a direct interest in its administration and close supervision,

(c) the development of cultivation frequently depends upon the measures taken by the Local Government for improving communications, *irrigation, colonisation schemes, etc.*

Q. 152.—Taxes on exports and imports should undoubtedly the levied by the Imperial or Central Government whatever the allocation may subsequently be

Q. 153.—Whether the proceeds of an export duty should be allotted to a particular province seems to me to depend [illegible] the tax, and this will depend in each case [illegible] For example, jute is practically a monopoly [illegible] purchasers are to be found in India and a [illegible] that an export duty in such a case would fa[illegible] would have to reimburse the producer for [illegible] there [illegible] sumers [illegible] other [illegible] is som[illegible] duty. [illegible] division of proceeds which might be made would have to be somewhat arbitrary. The case of tea produced in Assam is rather different because its price

[illegible]

were in such a state that tea gardens could only just pay their way In such a case the export duty would tend to be paid by the consumer. Assuming that the province in which a particular commodity is produced paid the duty, there seems to be good reason, on grounds of simple equity for the particular province to get the proceeds. So far as it may be found in any particular case that an export duty is partially paid by the foreign consumer, it is reasonable for the Central Government to take the profits.

Q. 154.—I am not in favour of complicating the system of taxation by double levies In answering the questions above on excise duties, I suggested the desirability, if at all practicable, of uniform duties throughout India.

Q 155.—If tobacco were taxed, it would not perhaps be practicable to treat it in the same way as opium because of the widespread cultivation that now exists in all provinces The rate of taxation whether there be an acreage rate or a levy in any other form should be adjusted, in the light of local soil and climatic conditions so as to fall with equal weight in different localities. Otherwise it might operate as a protective duty in favour of a particular province.

Q 156.—Income-tax and succession duties should be centrally administered for the reasons stated in this question. I think a division of the proceeds is [illegible] in proportion to provincial ability to pay, [illegible] the individual, for the general purposes of [illegible]

Q. 157.—Similar considerations would seem to apply to duties on transactions levied by means of stamps, both judicial and non-judicial.

Mr. Phillipson gave oral evidence as follows:—

The President. *Q*.—You say that an accurate estimate of the real incidence of taxation would require a statistical knowledge that is expressible with the accuracy of mathematical laws. I take it we have no such knowledge at present.

A.—I don't think we have.

Q.—You go on to suggest a division of the population into cultivators, landowners and landlords, agricultural labourers, the clerical class, the professional class and others. Is not your class "others" rather wide?

A.—It is, I qualify that in the following sentence.

Q.—You have left out the mill cooly, for instance; he is a non-agricultural labourer.

A.—I would suggest an additional class for him.

Q.—What about the petty shopkeeper? Isn't he a class of *Mahajan*?

A.—I did not intend my division to be exhaustive.

Q.—Can you give us figures for any of the classes, so that we might have an idea of their income and their share of taxation? This morning we were given the report of the Assam Labour Enquiry Committee and told that the income of tea garden coolies works out to Rs. 20 per family.

A.—I think that is about correct in the case of tea gardens.

Q.—That is about the income of the unskilled labourer?

A.—Yes.

Q.—Could you help us to arrive at the incidence of taxation on him? If he pays for salt at 3 annas a year for a family of four, the only other tax he pays for is on cloth. Have you any idea as to what the tax on cloth would come to for the family?

A.—He might spend Rs. 4 or Rs. 5 a year on cloth for himself; in the case of his wife, I suppose one might double it.

Dr. Paranjpye *Q.*—The *sari* now costs much more than that.

The Hon'ble Sardar Jogendra Singh. *Q.*—I think he would spend Rs. 50 a year on cloth.

A —I think that is excessive.

Q.—Question No. 13, you suggest as a simple criterion of the profit that Government might take the quotation of the shares on the Stock Exchange. Would you apply that to the recent agreement with the Railways? Government now take 1 per cent. of the profits and the rest goes back to the enterprise. Is that 1 per cent. taxation or not? It was suggested that the return from an ordinary railway share in England is about 1 per cent. more than the return on Government paper and that therefore Government, as the owner of the Railway, is entitled to take the same return, as it would, if it had its money in a good Railway concern

A.—I think that is the suggestion I made in my written statement.

Q.—You would then say that the 1 per cent taken is not taxation.

A.—I say it is not taxation.

Sir Percy Thompson *Q.*—Is there no initial difficulty about taking the Stock Exchange quotation? In most Government enterprises, for instance, irrigation or post office, you have not got a Stock Exchange quotation.

A —I am inclined to take each particular case on its merits. In the case of a mining company, I would say that a fair percentage on capital might be a good deal higher than in the case of a post office.

The President. *Q* —In answer to question No. 29 you say that it has been held as an ideal that all should pay direct taxes as a stimulus to an interest in the State's activities. But do you think that ideal is attainable in the case of the poor?

A —I think it has been held as a general principle; people sometimes say that we should make even the poorest pay a small direct tax, otherwise they do not know they are contributing anything to the cost of Government.

Q.—That is a modern political theory; do you think that would be applicable to Assam?

A —I doubt if it is a good practical policy, though theoretically some people justify it

Sir Percy Thompson *Q* —You say you are not in favour of raising the present rates of income-tax, and you are not in favour of a differentiation in earned and unearned incomes, so long as the present exemption limit is Rs. 2,000.

A.—I only mean that, as a matter of practical policy, it is not worth while to make too fine distinctions.

Q.—Is it not a fact that if any allowances are to be made for persons supported out of particular incomes it would be much more easy to do so in England, where you have chapter and verse for every marriage, while in India the enquiries might be objectionable?

A.—Yes.

Q.—I do not follow your answer to question No. 37. You say that you see no objection to the Super-tax and that individual shareholders can get a rebate if they are entitled to it, by declaring their income.

A.—They can get a rebate if their total income entitles them to it I think, as a matter of fact, an individual shareholder who has paid income-tax or super-tax at source can afterwards get the rebate.

Q.—It is so with income-tax, not super-tax.

A.—I admit that I have not had an actual claim on account of super-tax.

Q.—It is urged as an objection that it is a tax both on the rich and the poor.

A.—That is an objection from the ideal point of view.

Q.—Every individual who is liable to an income-tax pays super-tax on the dividend he gets from the companies, so that in effect he pays the tax twice over, one from his own income and the other from the income of the company

A.—I agree, that slightly modifies what I have written here.

Q.—I gather that you are in favour of the removal of the exemption on incomes derived from agriculture.

A.—Yes.

Q.—Would you qualify that at all and make it dependent on the question whether the yield from agricultural income would be sufficient to justify all the dislocation and the increased expenses of collection?

A.—Yes, I would not tax agriculture if the revenue were incommensurate with the difficulty and cost of collection.

Q.—You say that tea companies would contribute about Rs 45 to Rs 50 lakhs a year.

A.—That is my rough estimate in addition to what they pay now.

The Hon'ble Sardar Jogendra Singh. *Q*.—In the matter of tea companies, how many years do they take to develop the tea garden?

A.—I think it begins to pay at the end of six or seven years.

Sir Percy Thompson. *Q*.—Even if it took a hundred years, that would not be any ground for exempting it from income-tax, because you won't charge income-tax for the hundred years in which the company did not make profits You would charge income-tax only from the time the company begins to earn profits.

A.—Exactly. Apart from tea gardens I think a substantial revenue would be obtained in places like Goalpara and Sylhet where they have a permanent settlement and a number of wealthy zamindars.

Q.—How do you justify the charging of an additional tax in the shape of income-tax on lands which are already heavily charged to land revenue?

A.—I have distinguished, I think, between a tax and land revenue. I have taken the view that land revenue is merely a payment for the use of the land

Q.—You don't count it as being a burden at all?

A.—That is the view I have taken

The Hon'ble Sardar Jogendra Singh. *Q*.—Have you gone into the question of ownership?

A.—I do not see how that would affect the question

Q.—The theory of rent is based mainly on ownership. If I own a house, I can realize the rent, if I do not own it, how can I?

A.—Under the present Income-tax Act, if a man owns a house, he has to pay on its annual value.

Q.—And the man who owns land has to pay a tax, you may call it land revenue or a rental.

Sir Percy Thompson. *Q*.—Has there ever in your knowledge been a time when there existed private ownership of land which has not been subjected to this rent charge which is called land revenue?

A.—No; only certain lands which we call *lakhiraj* lands are exempt from the payment of land revenue. It is a very special case.

The Hon'ble Sardar Jogendra Singh. *Q*.—There was no land tax on feudal estates, which were provided for soldiers.

Dr. Paranjpye.—The tax was paid in the form of service.

Sir Percy Thompson. *Q*.—You do not think that the existence of chartered accountants in India has done anything to check malpractices with regard to income-tax?

A.—Not in places where malpractices are most common, I think.

Q.—It is perfectly true, of course, that a company or firm might not disclose true facts to its auditor and a respectable auditor, if he knew this, would not act for a firm who are not giving the true facts.

A.—Actual experience seems to show that they do so sometimes

Q—I think, generally speaking, that in England a chartered accountant or an incorporated accountant who knows that false figures are being presented to him for audit would not act for the firm.

A—Quite so. I think, as a general rule, that the accountancy can be relied on. When I said that the accountancy profession does not help to stop evasion, I was thinking mainly of bazaar dealers and shopkeepers, because they do not have their accounts audited.

Dr. Paranjpye. Q.—In those cases you only guess their profits.

A.—It is largely a guess

Sir Percy Thompson. Q.—Can you make any suggestion for improving the administration? Under the new system by which income-tax is a separate branch, things have improved a good deal.

A.—Yes.

Q—Is there not still a shortage of staff?

A—I think there is in some districts.

Q—Would it pay if you could put in more skilled men?

A—I think very likely it would. As a matter of fact I have in my district an Income-tax Officer whose services have been asked for to be lent to an adjoining district.

Q.—Can you afford to lend his services?

A.—He has done most of the investigations and we have come to a kind of stationary state, so that his work in my own district is less than at the beginning I think there is still scope for increasing the staff.

Q.—You say that your experience of the provisions about double income-tax is that they are working satisfactorily, but that it is believed that incomes derived from outside India and remitted to India, often escape taxation How is the latter statement connected with the former?

A—I do not think it has an important connection

Q—If a man gets an income from outside India, say, from England, he has really no inducement not to disclose it to the Indian authorities, because he pays Indian income-tax on it.

A.—Yes

Dr. Paranjpye Q—But he probably escapes English income-tax.

Sir Percy Thompson. Q.—He is chargeable with British income-tax. If he pays both British income-tax and Indian income-tax, the British authorities would repay him the Indian income-tax.

A.—I do not want to defend that statement; it has no connection with the particular question under discussion.

Q.—You say that the assessment on previous year's income in India is far preferable to an assessment on a three years' average. If you have your accounts year by year for three years, for the future you would only want one year's accounts. Where is the difficulty in assessing on three years' average?

A.—We would have to keep the records. I have had many cases of appeals from the decisions of the Income-tax Officer and I found it exceedingly difficult to get any reliable accounts from big shopkeepers in the bazar. It would, therefore, be more difficult to rely on three years' accounts.

Q.—Isn't one of your difficulties this: if a man makes a loss, he never gets time to wipe it off in the three years' average, because the loss would be three times what it would be if he carried it forward; whereas if the assessment is on the previous year's income, if he makes a loss one year, he is assessed on nothing the next year.

A—Yes, that would be so, perhaps, theoretically, but if he shows any reasonable grounds for more lenient assessment, I think he would get some concession, if he showed a loss in the previous year.

Q—Do you think it is desirable to have a specific provision that losses might be carried forward, say, for one or two years, or would it create administrative difficulties?

A.—I am not quite sure of this point I do not see why a man should not be allowed to produce evidence that he made a loss the year before, and I am sure that in actual practice an officer would certainly take this into account when he hears an appeal

The President. *Q*.—You make a rather interesting remark that a tax on necessaries would have the effect of increasing the amount of work rather than of reducing the standard of living Can you give us any actual instances?

A.—It is well-known that in the coal mines of Bengal and on the tea gardens of Assam the immediate effect of increasing wages is the reduction in the amount of work

Q—I see that you do not anticipate the introduction of prohibition in the near future

A—As a matter of fact the chief consumers of liquor in Assam are the coolies in tea gardens In my own district, they number about a quarter of a million out of a population of nearly half a million, and I believe distillation in tea gardens is extremely common at the present moment.

Q—Can you not put it down?

A.—Occasionally one makes an attempt, but I think it still goes on.

Q.—Can't you enforce responsibility on the Manager?

A—He is very willing to help when it becomes a distinct evil, but I don't think the Manager minds distillation in the lines to a moderate extent.

Q—Is he liable for prosecution if distillation occurs on his land?

A—I do not think so

Q.—Is there not a provision to that effect in the Excise Acts?

A.—I have never heard of it.

Q—Most of the Acts provide for responsibility on the landholder.

A.—I know there is a provision for landowners being made liable for disturbances on land.

Q—You think the taxation of liquor and opium and *ganja* is sufficient from the point of view of taxation, would you like to see a uniform excise duty levied?

A—If possible

Q—It is not possible to do so in the case of liquor, you have the rate at Rs 5 a gallon, in some other provinces the rate runs up to Rs 20

A—It is more difficult and also less necessary in the case of liquor.

Q—Could you not increase the excise duty and reduce the vend fee? We are now taking large sums in the shape of vend fees

A.—I am not sure how that will meet the difficulty

Q.—Is'nt the accepted policy that the excise duty should bear a larger proportion of the two and you should, if you can, reduce the vend fee to something nominal You are doing that indirectly, I believe, by regulating your vend fee with reference to sales

A—Yes.

Q—Instead of making the vend fee dependent on sales, why not put it on at the distillery?

A.—I think it might be a useful thing to do

Q—Meanwhile you very strongly condemn the system of auctions and you do not seem to see much good in selection of licensees.

A.—I do not profess to be able to say how a perfect system might be devised.

Q.—Have you thought of the system of sliding scale prevalent in Bengal?

A.—I do not know what it is.

Q.—According to the Bengal system licensees are selected and allowed to sell, but they pay duty on a sliding scale according to the quantity sold. The higher the amount sold the less the profit. Supposing you pay a Rs. 5 excise duty and Re. 1 vend fee on the first 100 gallons, it would be Re. 1-8 vend fee on the next 100 gallons, Re. 1-12 on the next 100 gallons and so on. The profits would be diminishing as the sales increase.

A.—I do not know how that system is worked, but I think the difficulty in Assam, chiefly as regards opium, is the number of illicit practices that take place. At present people are willing to bid at auctions up to an amount which would leave them no profit at all. It is obvious that they are reimbursing themselves by some illegal means.

The President.—In Madras, for instance, we had what we call the shop valuation register for many years; and if you look through that you will find that the shopkeepers would just balance their accounts. The policy that has been adopted there, has been to control and break him whenever you catch him.

A.—That is the policy we adopt here.

Q.—You actually refund if they overbid?

A.—We fix the maximum bid.

Q.—That is a negation of the whole auction system.

A.—In actual practice, it is not really auction. We had sales in my headquarters the other day. About 50 or 60 people offered the maximum figure and it simply came to a question of selection. We eliminated first of all those against whom we had any bad record, *i.e.*, one who had been convicted and so on.

Q.—Why do you allow such persons to bid?

A.—We do not allow them, but occasionally the names slip in unnoticed.

Q.—What is the final process of selection?

A.—It is a case of selection of the most suitable men from a long list.

Sir Percy Thompson.—Would you not give preference to the man who had been doing good work in the previous years?

A.—Yes, generally speaking, I would. The lottery system is not sanctioned by Government. I adopted it in the case of country spirit shops in exceptional circumstances. There was such an amount of canvassing that I thought this was the best way to show absolute impartiality, and that canvassing would be of no avail. There were endless recommendations and importunate interviewers at my bungalow. I thought I would adopt this lottery system of selection so that it might not be said that I had been influenced by recommendations. It was an experiment I have not made before.

Q.—Is it not a selection from among the people who are out to make the most they can?

A.—It is not an ideal method; but I do not know of any better method.

Q.—Why should you not break the fellow who breaks the law? Or try the Bengal way.

A.—In actual practice we find that if a man is allowed to overbid, it is a direct inducement to illegal practices.

Q.—Then catch him and break him.

A.—It is a question of a choice of evils.

Q.—You think that the Government ought to fix a uniform duty on opium?

A.—Yes, if it is practicable.

Q.—Have you got to the state of registering the consumer and the quantity he is allowed to take and the price at which it is to be sold? You simply

have to deal out pills of opium to specified persons in specified quantities to be sold at fixed prices

A.—That has been suggested, but it is said they have found it difficult to make these pills

Q.—We went into the opium factory and we found there was no difficulty whatever if the Local Governments were prepared to adopt that method. These pills may be sent to dispensaries and the registered consumers may attend the dispensaries and take them

A.—That idea appeals to me, but I do not know what the difficulties are in the way of its adoption

Q.—About smuggling, you say "The cultivating province should take further steps to prevent illicit sales from the factory or by cultivators" But the cultivating province has no interest in that Since the Government of India grow the opium, each province is only interested in preventing smuggling into its own area The opium may be sent from Malwa through the Central Provinces down to Bengal and the Central Provinces may say "we do not concern ourselves with the through traffic, it does not affect our revenue"

A.—I cannot see in what other way it can be done except through the Government of India

Q.—Now coming to taxes on transactions, you have taken rather a new point You say "individuals who so shape their affairs that they require this State aid or intervention, should bear not only the immediate or visible expenses of the judicial proceedings but also an additional share in the cost of the power behind the State." You do not agree with Bentham?

A.—I have given my reasons In my view the value of a legal decision depends partly upon the fact that it is a decision supported by the State

Q.—You say "fees are charged on account of ferries, *hâts*, pounds, etc." Are not those all cases in which the fee ought to cover the cost of the service and no more? Is it legitimate, because a man has to cross a river or sell his goods in a market, that you should make a profit on it?

A.—I do not think it is quite fair, on general principles, but it happens to be convenient, and local bodies can make an income out of it

Q.—It would be legitimate if the local bodies build markets and provide other conveniences and then levy the tax

A.—Yes, I think so I was merely stating a fact, with regard to ferries, and *hats*, and not attempting to justify those levies

Q.—With regard to question No 95, you do not have an entertainments tax. Suppose the proceeds are handed over to towns, will that mitigate your objections?

A.—I simply mean that it is taxing a particular class From a theoretical point of view, it is not quite fair, but from a practical point of view, I think it is a most convenient tax to levy.

Q.—Would you advocate making over the proceeds to the local body which is to bear the cost of roads, lighting and so forth?

A.—I am not quite sure about that point. I think part of it ought to go to them

The Hon'ble Sardar Jogendra Singh *Q.*—Would you say that the element of taxation is altogether absent from the land revenue?

A.—I think so.

Q.—How? There is compulsion

A.—It is also compulsory to pay railway fares, but a railway fare is not a tax

Q.—Any other distinction you draw in the matter of land revenue?

A.—I take land revenue to be simply a payment for the use of the land.

Q.—That implies that the ownership is there

A.—I do not see quite how ownership affects the question.

Q.—If there is no ownership of the State, then there is no rent.

A.—Do you mean that if the State does not own the land, then the payment is not a payment of rent, but the payment of tax?

Q.—You have the definition of tax given in the questionnaire. The only way which you call land revenue a rent is: the State has given you a property from which you derive a benefit and out of the surplus you earn you pay a certain proportion to the State, that is the rent. If that element is missing, that is, the element of hiring out or giving the use of the land, then it becomes a tax. If you tax income from the land as you tax any other income and the element of proprietorship is missing, then it comes to the same level as any other tax Would it not?

A.—I am afraid I cannot follow.

Sir Percy Thompson *Q*—Does it really come to this: that the State, *whether or not it is the owner of the land, whether rightly or wrongly—if* rightly as landlord, if wrongly as usurper of the land—does charge the man who cultivates the land rent for the right to cultivate?

A.—Yes.

Q—And that rent is something less than the economic surplus and does not touch wages or profits on capital and therefore bears every resemblance to the ordinary sense of rent in which it is charged by an individual?

A—I say that part of the surplus taken as rent is not a tax.

Q—My suggestion is that the State can charge anything it pleases and what it does is to do what a landlord does—charge rent.

A.—My answer applies either to India or to England In England you have not got the State ownership of land, generally speaking.

The Hon'ble Sardar Jogendra singh. *Q*—There is no land revenue there.

A.—In England land is paid for, and the payment is called rent. In India the State happens to take that particular thing, and calls it revenue.

Q.—After all, tax and land revenue are both tribute exacted by the State. Now take another view. Suppose you purchase land for one lakh of rupees. On that you pay land revenue You invest another lakh of rupees in shares and you get an income and you pay income-tax on that income. Both are investments Both are taxed One is called land revenue and the other income-tax Why should you call the one land revenue and the other income-tax?

A.—I presume the man who chooses to invest his money in land will take into account the land revenue that he has to pay

The President. *Q.*—In your answer to question No 93 you say that there is a proviso that the increments should not ordinarily exceed 33 per cent of the existing revenue. Where do you find it?

A.—In the Assam Land Revenue Manual.

Q.—It has not been reduced to statute yet?

A.—Not yet; but I think they are considering it. It is very likely to come out in statutory form in a year or two.

Q—You say that the cost of collection is 5 per cent. How do you arrive at that?

A.—The land revenue is collected in Assam through Mauzadars. The district is divided into mauzas and the Mauzadars get a commission on the actual collection; and working out that commission it comes to about 5 per cent in my district where the land revenue collected is about 12 lakhs a year.

Q—Does it include charges for the village staff, the Settlement staff, the Deputy Commissioner, the Commissioner, the Treasury, etc.?

A.—I think that the 5 per cent does not include these charges. I had figures collected in my office. I will verify the figure. The 5 per cent does not include Settlement staff, etc. These additional charges might be 1 or 2 per cent of the land revenue collected.

Q.—You "would not approve of a tax on mutations with a view to checking fractionisation. It would hardly be effective unless it were equal or nearly equal to the capitalised value of the gain to those who proposed to divide up their holdings as a means of avoiding the payment of a tax."

A.—Tax on mutations would have to be rather high to prevent fractionisation; and the man who is going to be taxed would then consider whether it would be worth his while to divide up his holding.

Q.—But suppose there is no question of the exemption of agricultural incomes below a certain figure. Would not a tax on mutations tend to check the undesirable breaking up of holdings?

A.—It would have to be rather a high tax. That is my only point.

Q.—As regards comparison between provinces you say that the best method is No. 5, that is, by calculating what fraction of the produce is paid in land revenue. Would that be net produce or gross produce?

A.—I think that is gross produce.

The Hon'ble Sardar Jogendra Singh. *Q.*—What proportion does it bear in your district?

A.—I have not got the exact figure here, but I think it is 8 per cent.

The President. *Q.*—But would not the cost of cultivation vary largely from province to province?

A.—I think it would.

Q.—So that a comparison based on gross produce would be fallacious; would not net produce be better?

A.—Yes; I think it would be more useful.

Q.—You say with regard to mines, "In theory, the State might reasonably take most of the exceptional profits of a mine, *i.e.*, the difference between the profits of a particular mine and the worst mine which it just pays to work." You are speaking of a mine that belongs to the State?

A.—Yes.

Q.—Then you say "In practice such an appropriation by the State would lead to uneconomic working and wasteful expenditure. I would, therefore, favour the levy of a tax on minerals by an adjustment of royalties as the most practicable method, and to a point at which enterprise in a highly speculative undertaking would not be discouraged." The difficulty about that is that it is fixed by the Secretary of State.

A.—I thought that it was the Government of India, I am not sure.

Q.—The present rates on royalties, are they high enough? Do they come near to the point you suggest?

A.—I think they might be increased without discouraging mining. In Assam the matter has been considered recently and the difficulty has presented itself that the royalties cannot be altered without the sanction of the Government of India, and on that account they have considered alternative methods. There was the suggestion in Burma of auctioning or demanding a premium for prospecting licenses or for working a particular mine. That suggestion has been considered.

Q.—You are already taking a royalty?

A.—Yes.

Q.—And the Government of India take an excise duty?

A.—Yes.

Q.—And now you would take premium?

A.—I say this suggestion has been made for working a new concession. I am not sure that I agree.

Q.—You would take a premium for prospecting?

A.—That has been suggested. I am not quite sure whether I should do it. I do not think it worth while to alter the rules. What I suggest is a simple and practicable method by alteration of royalty.

Q—Does not the market price of the oil fluctuate very much?

A.—It does fluctuate.

Q—Would that not create a difficulty in your taking fixed royalty?

A.—The royalty may be fixed on a sliding scale.

Q.—That will become a tax on profits. Is it practicable to regulate royalty?

A.—I think it is, because the actual royalty at the present time is a very small fraction. I do not think it is more than five per cent of the selling value of the crude oil

Q.—Does that comply with your theory of rent?

A.—I do not wish to suggest that taxation should in practice be based upon a theory of rent.

Q—Will it not discourage speculative enterprise?

A—Not if royalty is only a moderate part of the selling value.

Q.—You would aim at a fair payment for their risk and a fair profit for their enterprise and take the rest as royalty. You don't think that would be like taking a share of the profit?

A.- It might, I think, amount to the same thing.

Q—You say there are good reasons for limiting a tax levied by local authorities in India Is it not generally complained in India that local bodies don't levy enough taxation?

A.—I do not know, if it is a general complaint There are many in Assam who would favour a heavier tax on behalf of Local Boards.

Q—We were told this morning that unless the local authorities did levy more tax in Assam the essential services will be starved The only alternative to that was a larger contribution from the province.

A.—I think there is scope in Assam for levy of more taxation than Local Boards raise just now.

Q—In England there is no limit to the rate on annual value which the local authority can impose. It has gone up to 24 shillings in the pound.

A.—I would impose a limit in India; but the limit has not yet been reached. That is my point

Sir Percy Thompson *Q.*—The local cess, for instance, should be raised from one anna to an anna and a quarter.

A—It has been suggested by Local Boards

Q—At any rate you will give more latitude than they have at present.

A.—A little more

Q.—Do you mean to say that house property is being now let off without tax?

A.—That is I think what happens now to some extent in municipalities. The widow who has no particular means of subsistence is usually let off. But there is no definite provision of exemption in the Municipal Act on account of the small value of a house.

Q—If a man is well off the fact that the annual value was something quite ridiculously small would not help him for exemption.

A.—He will be assessed by the municipality on the small value of the house

Q.—The mere fact that the value of the house is small would not exempt him.

A—No. But he would pay a very small tax owing to the small value of the house

Q—In the Central Provinces houses of the annual value of six rupees or less are not charged at all.

A.—*I do not remember such a provision in Assam.*

The President. Q.—You say you would rate municipal sites on periodic valuations and exempt improvements. That does not mean that you would exempt buildings from house tax. You are talking solely of land.

A.—I was thinking of sites. I would not increase the value of the site merely because a man puts up a nice building on the land.

Q.—You think the tax on land should be quite independent of the house.

A.—Yes.

Q.—Would you make grants an instrument of control over local bodies? Will you withhold grants unless a sufficient standard of efficiency was maintained?

A.—If Government now makes a grant to a Local Board for education they specify that it shall be used for education and nothing else. If they don't do that we might find these particular grants mixed up with the rest of the income and used for communications, or for other purposes.

Q.—But further than ear-marking would you use grants as instruments of control? Would you insist that a certain minimum standard of efficiency must be maintained to deserve the grant?

A.—I think in actual practice that is done now. It is implied Government would not grant any aid if the Local Board misused the money in any way. I think that in the case of extreme inefficiency, superseding the municipality would be the only step. The local body could be handed over to the Deputy Commissioner. In some parts of India they have superseded municipalities. I do not think it has happened in Assam.

Q.—You recommend a tax on increment value. Is it workable?

A.—I was about to say, "if practicable." That would involve periodical valuation and I think I have suggested that adequate notice should be given.

Q.—You propose to tax tobacco on the basis of acreage. Have you studied the figures we give for the provinces of India?

A.—I examined them. Each province should know from its land records the acreage under each crop. In Assam we would know fairly accurately, even if we had large areas under tobacco because we have a well organised land records staff who are closely in touch with the land. The whole land is parcelled out and either the Sub-Deputy Collector or his Assistant knows each plot. I do not say our information would always be accurate. But we have the means of making a list.

Q.—It has been brought to our notice that you could not impose that on the tenant because he is already paying a full rent for his land.

A.—I do not know the legal aspect of it. I suppose it might be done by legislation.

Q.—You suggest that variation in fertility might be allowed for by the introduction of a soil factor. We were told that the variation is 100 per cent. There is variation in different seasons.

A.—I think the method would be only very approximate and I do not claim it would be very accurate at all.

Q.—The method adopted is to take an area, and lease the monopoly of vend in that. License the traders and exporters. Impose strict limit on private possession and require the cultivator to sell at a fixed rate either to the monopolist of his area or of another area or the exporter or the manufacturer. Certain Indian States are working like that. The monopolist who got the privilege would get all in his area.

A.—I cannot say if it will work very easily in Assam. It might.

Q.—With regard to the division of proceeds you say it is practicable in proportion to provincial ability to pay. You don't think that taxation for imperial purposes should be imposed at the same rates in all provinces.

A.—Each province now contributes, I suppose, a certain amount for the expenses of the Government of India. I suggest that this contribution should be regulated by the province's ability to pay as measured by its population and resources.

Q.—At present you have separation of sources as customs, salt, etc. You would not say that one province should pay higher income-tax.

A.—I do not mean that.

Q.—By your reference to the ability to pay you are introducing an inequality

A.—I do not mean that quite What was in my mind is this. We spend a certain amount of money on the army. The wealthy and commercial province should contribute to the cost of the army a larger amount according to its ability as compared with another province which derived its income from agriculture alone. It should not be on the oasis of population alone

Q.—Is it not brought about at present by giving to the Government of India income-tax which is assessed on the ability to pay?

A.—Very largely

Q.—You don't suggest anything like the Meston Committee as to what each province can afford to pay.

A.—I was answering a question as to the general principle that might be followed. I was not making any reference to the system in actual force. The present system is in fact largely based on ability like income-tax

Q.—So you are not suggesting that we should tax one province in preference to another.

A.—I do not suggest that at all.

Written memoranda of witnesses notexamined orally.

Written memorandum of Lieutenant-Colonel W. D. SMILES, C.I.E., D.S.O., M.L.C., Sepon Tea Estate, Moran P. O., Assam.

Q. 40—I am not in favour of reducing the limit Rs. 2,000 of exemption from income-tax. If the limit is reduced, I consider, it would press hardly on the Indian middle class who at present find it difficult to get suitable employment and to bring up their families decently.

Q. 41—I conside[illegible] My personal opinion is [illegible] not always paying their [illegible] companies, I consider, [illegible] er of small comparatively poor investors in such companies often run into hundreds. These people have to pay the super tax, whereas a small company whose shares are privately held by six or seven wealthy people escapes. The red tape and difficulty of getting rebates afterwards are such that little advantage is taken of them and they are of little or no benefit to the small investor.

Q. 111.—I consider there is justification for the maintenance of tolls in Assam. As far as this province is concerned no toll should be established on any road unless it is *pucca* for at least ten miles on both sides of the toll-gate. The minimum distance between toll-gates should be ten miles. The money realised should be expended as much as possible upon the road which contributed it.

Q. 117.—I consider that grants-in-aid from general Government funds should be earmarked for particular forms of expenditure, and not be an unconditional contribution in general aid of local finances. The basis for calculation should be the amount of the contribution in money direct or indirect of the province or industry concerned and the needs of the province or industry.

Q. 118—I consider that the Government providing the grant earmarked for a particular purpose should retain sufficient control to ensure that the money is spent efficiently on that particular sanctioned purpose only. If the whole grant in-aid has not been spent in any particular financial year,

the balance remaining should again be carried forward to the next financial year and credited to the account of the sanctioned purpose only. The rainfall of this province is so distributed that efficient road making work is usually only possible for six months in the year, consequently original work often takes longer to complete than in other provinces

Q 152.—I would accept the above reasoning in countries of the size of Denmark or the Irish Free State, but I do not accept this reasoning when applied to a country of the size of the Indian empire and whose industries, climate and needs are so varied Bitter experience has taught us in Assam that the Central Government has imposed the export duty on tea as a war emergency measure only Seven years after the Armistice we find the tea industry of Assam still paying the export duty and the legitimate needs of the industry for better communications disregarded.

Q 155.—When export duties are levied on goods which can be identified as the produce of a particular province the ruling should be definite that the money realised should be allotted to the province concerned. The export duty on jute, however cannot be considered as on the same basis as the export duty on tea Jute can either be exported raw or as a manufactured article and any imposition on the export of raw jute is of advantage to the spinning and weaving industry in Bengal Jute also is practically a monopoly of Bengal and is not grown commercially outside North East India. Tea on the other hand can only be exported in a condition ready for use and the export duty is not of advantage to any manufacturing community here. Far from being a monopoly of India the keenest competition has to be faced in the markets of the world from Java, Sumatra, China, etc. I consider income-tax a much fairer proposition than an export duty.

Written memorandum of Rai Bahadur RAMANI MOHON DAS, Retired District Magistrate, Sylhet.

Q 18.—I should think so.

Q 19.—In considering the general incidence of taxation, taxes imposed solely for expenditure on the needs of particular localities should be separately shown for such locality. They should be excluded from the general incidence of taxation.

Q. 20.—(*a*) Yes.

(*b*) Tax on the annual value of holdings or on the income of persons residing or owning property within the locality should, I think, be treated as taxation for the general purposes of the local body. Taxes on animals, carriages and carts may be included in this category.

(*c*) Latrine-rates, water-rates and lighting-rates should be put into a separate class. They are not taxes at all, but rates levied for services rendered.

Q. 21.—Yes.

Q. 22.—Taxes on luxuries may be regarded as voluntary to a very great extent. If I desire to indulge in them, I must pay the tax, otherwise not. A non-smoker may not pay the tax on tobacco. One who does not care for a swift vehicle, need not pay the tax on motor vehicles. Similar remarks apply to intoxicating liquors and drugs

Q 23.—I do not agree with the statement quoted Both tobacco and intoxicating drinks are injurious to health. The use of tobacco should be restricted to adults, and of liquors and of drugs, prohibited on the ground that they are injurious to the health and welfare of a nation.

Q 24.—A tax on entertainments, although a voluntary tax, is also a tax on the necessaries and amenities of life. I would not consider it a voluntary tax. As regards tax on railway tickets, I think it may be considered a payment for the safety ensured by the State.

Q 25.—No. Although the Koran prohibits intoxicating drink, many Moslems drink a lot So Moslems, as a class, cannot be exempted.

Q. 27.—All except ascetics and mendicants who have no fixed place of abode should be taxed.

Q 28.—Yes.

Q 29.—Direct tax.

Q 30.—A poll tax will be very unpopular in this country. I would not recommend it.

Q 31.—I have no experience of any of these taxes, except the chowkidari tax which is unpopular, chiefly because the people derive no visible benefit by the employment of a chowkidar in their village.

Q 32.—I consider them more objectionable than the salt tax, the customs or excise duties on cotton, kerosine oil, or matches.

Q. 33—Yes, on companies and unearned incomes

Q. 34—I would advocate a division into earned and unearned income. The percentage should be higher in the case of the latter.

Q. 35.—Yes.

Q. 36.—Quite practicable. The assessee may be required to mention the fact in his return of income.

Q 37.—I would advocate the retention of the profits tax in its present form

Q 38—Taxation on agricultural income cannot be thought of in Bengal, as well as in permanently-settled districts like Sylhet, as such a taxation would be considered a breach of faith regarding the terms of the Permanent Settlement.

Q. 39—I am unable to form an estimate.

Q 40—I would not reduce the limit, as it is likely to entail hardship on account of the joint family system in this country.

Q. 41—The evil has been mitigated to some extent but not removed.

Q 42—Yes.

Q 43—Yes, it would reduce frauds but would raise a tremendous opposition from the public and the press.

Q 44.—Yes.

Q 45—Yes

Q, 46—Yes.

Q. 47.—Yes.

Q. 51.—Yes.

Q. 52.—Yes.

Q. 53.—The rate is moderate and fair considering the state of poverty in the country.

Q. 54.—I think Government should sell at cost price.

Q. 55—Yes.

Q. 56.—Yes.

Q. 57.—I think sifting should be prohibited, if it is practised solely for the purpose of increasing the trader's profits.

Q. 58.—Yes.

Q 59—Yes.

Q. 60.—Yes.

Q. 75—I think the duty on opium might be the same in Bengal and the Sylhet and Cachar districts of Assam which are contiguous to Bengal.

Q. 76. I am not acquainted with the system

Q. 77.—Smuggling is still going on in the district of Chittagong of which I have some direct knowledge. Preventive action both in the cultivating and consuming provinces by the Government of India is desirable.

30th March 1925.

CALCUTTA.

PRESENT

Sir CHARLES TODHUNTER, K C S I , I C.S., President.
Sir BIJAY CHAND MAHTAB G C I E , K C S.I., I.O M., Maharajadhiraja Bahadur of Burdwan
Sir PERCY THOMPSON, K B E , C B.
The Hon'ble Sardar JOGENDRA SINGH.
Dr R. P PARANJPYE
Dr. L. K HYDER, M L A

Mr. A. MARR, C.I.E., I.C.S., late Secretary to the Government of Bengal, Finance, Marine and Commerce Departments, and now Chairman, Calcutta Improvement Trust, was examined and gave oral evidence as follows :—

The President Q —Mr. Marr, I take it that anything you might say here will be your own views and not necessarily the view of the Bengal Government.

A.—That is so, Sir. I have been given no mandate by the Government to represent their views.

Q —I think you accept the axiom that whatever plan is adopted must be applied in the same way to all provinces

A —Well, I think, we shall be compelled to accept it. I think it will be rather hard on some provinces to say that it must be adopted in the same way in all the provinces, but, I think, whoever ultimately has to decide this, will be compelled to decide this way.

Q —Would you allow the Central Government to reserve the right to distribute the surplus to the provinces which are hard hit or would you prefer, if they have a surplus, that it should be passed on to the provinces as a whole?

A.—I would prefer the latter. Otherwise, it would simply enhance the inter-provincial jealousies that are going on now.

Q.—Then the plan, as you know, which we are considering is this. Professor Seligman has mentioned five ways. He condemns two and recommends the combination of the other three. Have you got any modification to suggest?

A.—The position of India is rather different from the case that Professor Seligman was considering. Instead of building up, we are rather building down from Central Government to Provincial Government. He was building up and we are building down.

Q —In the case of other Federations the component States surrendered certain of their sovereign powers in favour of the Federal State. They were giving powers to a central authority of their own creation. The Central Government in India has given up much more than the States in other Federations have kept

A.—They agreed among themselves to give up certain powers to the Federal [illegible] ilty in getting the smaller States to [illegible] icult to make them agree as to what [illegible]

rates for Madras.

Q.—"A" is applicable, for instance, to the case of land cess in the temporarily-settled provinces.

A.—I have no experience of the temporarily-settled provinces, but I suppose it would be so.

Q.—Then take the case of stamp duty on transfers of property in towns. You would not condemn method "A" altogether.

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Q.—Then "B" is the present system—the separation of sources. Would you approve of this?

A.—Certainly. I would adhere to this as much as possible. If it can be adhered to altogether, well and good, but I do not think it is possible It is important to get a broader basis

Q.—Then we come to "C."

A.—Yes.

Q.—Would you reverse the process in some cases? We have suggested for instance in the case of excise the reverse of the process that is indicated in "C" We propose that the revenue should be collected by the provinces but a basic rate assigned to the Central Government.

A.—I would like to see this system extended. In the case of income-tax the basic rate should be given to the provinces and the remainder to the Central Government.

Q.—What you really substitute is an arrangement under which the administering authority should make over the basic rate to the other.

A.—The basic amount would go to the non-controlling authority and the balance to the controlling authority.

Sir Percy Thompson. *Q.*—How are you going to apply the basic rate to the income-tax?

A.—In the case of income-tax, the Financial Settlement Committee would decide that the provinces would get *a* pies per rupee of assessed income. The Committee must settle the question of what figure *a* will be. That amount would go to the provinces. That would be the first charge on the whole The balance would go to the central authority. The central authority would thus be able to use it to balance their budget and would be in a position to vary rates in order to balance their budget without consulting the Provincial Governments.

Dr. Paranjpye. *Q.*—You would not make it vary from province to province?

A.—No *a* would be a figure fixed for a period of years. *a* would not vary from province to province.

Sir Percy Thompson. *Q.*—Supposing a man is assessed on Rs. 5,000, and on that Rs. 5,000 the provinces would get a definite number of pies per rupee, the sum which the Central Government would get may be a *minus* quantity.

A.—Yes. But I am not taking individual cases. I am taking it as a whole.

Dr. Paranjpye. *Q.*—Suppose, taking the present case, a man has got 5,000 rupees on which income-tax is levied, I believe, at about 5 or 6 pies, the provincial basic rate might be 3 pies.

A.—In that case it would not be a *minus* quantity. It would be the business of the Financial Settlement Committee to settle this basic rate after considering *the normal expenditure of the provinces according to the needs* of the provinces. That is the fundamental thing to consider.

The President. *Q.*—How are you going to take a rate on individual incomes?

A.—It would not be on individual incomes. It would be on the total assessed income of the province for the whole year.

Q.—Supposing your total income-tax is *x* and the province's share is *y*?

A.—I have nothing to do with income-tax at all. I am only assuming so many pies per rupee of assessed income. I have nothing to do with the income-tax that is actually collected on it.

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A.—What you propose is not my system at all. Before you come to a financial settlement, it is absolutely necessary to have arrived at the normal expenditure of each province. Any financial settlement which does not meet this condition is going to fail in the same way as the Meston Settlement has failed. Having arrived at the normal provincial expenditure, the Financial Settlement Committee has to devise means by which the provinces would get sufficient income to meet that normal expenditure. My suggestion as regards income-tax is only one of such means.

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Q.—You may find that a certain fraction won't cover it, then you try another fraction which gives a greater share of a particular tax.

A.—Yes, you may try this tax or any other tax.

Q.—Whatever tax you may try, you would apply to all the provinces.

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Q.—How are you going to determine the share of the provinces *inter se* of whatever goes to the provinces as a whole?

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A.—Yes. The Income-tax Department would give you the correct figure of assessed income each year. It would be always subject to adjustment afterwards. It would be in exactly the same position as it is at present under Devolution Rule 15.

The President. *Q.*—Supposing the assessed income of Bengal is 'X", the amount to which Bengal will be entitled to credit will be $\frac{C}{X}$?

A.—No, Bengal would get $a \times X$ pies.

Q.—What the Committee must arrive at is only a fraction.

A.—No fraction is necessary in this case.

Q.—Your assessment for a particular year includes a certain amount of income from other provinces.

A.—Such is also the present position under Devolution Rule 15. I am assuming that we arrive at the ultimate assessed income as we do in the case of Devolution Rule 15.

Q.—Then a certain proportion of your income which is collected in Bengal belongs to other provinces.

A.—They get credit for that. Before the Income-tax Department give us the ultimate figure, they distribute according to the provinces.

Sir Percy Thompson. *Q.*—According to your proposal there may be conflict between the provinces For instance take the case of Bengal, its income from income-tax may be 1 million 90 times 3 pies, Bihar and Orissa's may be 1 million 85 times 3 pies. Bihar and Orissa might come and say, "Look here, one of your factories situated in our province is controlled in Calcutta, so out of 100, we must have 85.

A —That is actually being done under Devolution Rule 15 now, with the result that all the provinces, except Bengal and Bombay, are scoring because the datum line is too high. This was not the intention of the framers of Devolution Rule 15 In my system this would not be necessary. Suppose the Financial Settlement Committee fixes a datum figure for a period of five years, that rate is fixed for five years as between the provinces. At the end of five years Bombay may come forward and say "Look here, we have lost on this and we want so much more." Then the Settlement Committee would have to decide whether Bombay's datum figure should be lowered or raised.

Dr Paranjpye. *Q* —You say that we must find what is the reasonable normal expenditure for each province. Don't you think that there is every reason in the same enquiry to find out whether each province is fairly taxed or not, that is to say, whether the province is bearing its fair share of taxation or not?

A —Of course that should have been done in the very first instance.

Q —If you want to find out what is a reasonable scale of expenditure, you will also have to consider what is a reasonable scale of taxation in the beginning. Other provinces are paying very large shares of their income in the form of land revenue, because land revenue is pitched at a high figure. But Bengal has come to the stage when it does not pay much towards land revenue, consequently other provinces may come and say, "That is your normal scale of expenditure, but let us see what is your normal scale of taxation."

A.—If you are going to take that into account, you must take all forms of taxation.

Q.—You should go into the normal scale of taxation for each province. If you find a particular province is working with less than its proper burden on a reasonable estimate, then that province should be told, "You cannot get a normal scale of expenditure unless you pay normal taxation."

A.—Yes, these things will have to be decided together. The new financial settlement must start all the provinces going, with slight surpluses.

The President. *Q* —You propose to make a settlement of every business which extends over more than one province annually to ascertain the share that should go to each province.

A.—Not annually, but only on a five-yearly settlement.

Sir Percy Thompson. *Q* —But you take the same percentage over the period of five years. In the case of a business doing its transactions in Bihar

and having its headquarters in Calcutta, Bihar would get 85 per cent and you, only 15 per cent

The President Q —Every year you are going to work out for each province the share which belongs to that province; that has to be done individually for each business

A —We do that now We are not departing from Devolution Rule 15 in that respect We have done that with tea companies in Assam, also with the coal companies of Bihar and Orissa.

Q —You think it would not cause difficulty, provided you lay down certain general principles?

A —No

Q.—Who would work these out?

A —The Committee on Financial Relations, or whatever body makes the financial settlement would do it It must allow the provinces to start with a reasonable surplus.

Q —But they would not continue indefinitely, they would simply lay down principles

A —Having laid down principles, you would have to have an independent body to make the settlement.

Q —Would you not have the Income-tax Department to work it out?

A.—The Income-tax Department would work out the figures and the independent body must settle what it is

Q —What would be the basic rate according to the principle on which you would make the division between provinces?

A.—There is no difficulty about that. Adjustment between provinces would have to be made. A few minor disputes are going on at present, for instance, as regards the division between provinces of income-tax on the East Indian Railway

Q —Can you give us an indication of the principles you would follow?

A —Take for instance the tea industry. Where the managing agents in Calcutta of a tea garden in Assam are only forwarding agents and when Assam can prove that, we allow Assam the whole income-tax on that garden. Where the managing agents are real managing agents, that is to say, where they control the working of the garden, we allow Assam 85 per cent and the remaining 15 per cent goes to Bengal.

Q.—How would you deal with the case of the Tata Iron and Steel Company?

A.—It would be a difficult piece of accounting. There the division would be between Bombay and Bihar. Certainly Bihar should get a very big share.

Q —Do you think you would be able to lay down a fraction, such as 15 per cent to serve for a time?

A.—I do not see why the two Governments should not arrive at some compromise which would be satisfactory to both.

Q —How would you deal with the case of a Bank which has branches all over India?

A —A chartered accountant would have to deal with a case like that. Take the case of the Imperial Bank. Certain branches are running at a loss as against profits in others.

Sir Percy Thompson Q —Is not this difficulty common to all systems of sharing?

A.—Yes, unless you accept the principle that all the tax collected in a province belongs to that province. Bengal and Bombay would agree to that principle; other provinces would not. If this is not agreed to, the difficulty of sharing must arise.

The President. Q —Should we not have to lay down a very large number of principles for the division? How would you deal with a firm which has branches all over India?

A —Only an independent chartered accountant could deal with a case like that

Q.—That is why I was asking you whether you were going to have this scrutiny made every year. You cannot put a chartered accountant on to it every year

A —A permanent chartered accountant can be put on to deal with all cases of dispute. As long as a particular business is going on ordinarily and does not boom in one place and slump in another, there will be no dispute. For instance, take the case of the East Indian Railway. The whole of the yield from that is going to the Central Government at present. The Provincial Governments through which the East Indian Railway passes get no share whatever If they claim that they are entitled to a share, that is a dispute which only a chartered accountant can settle.

Q.—Would not the same thing happen in the case of about half the firms in Calcutta? Take a firm like Whiteaway's.

A —Any province which has no branches of the firm has no claim.

Dr. Paranjpye. *Q.*—An easy method can be obtained by crediting part of the profits to the turnover and part to the management

A.—There would be no difficulty in that case. We have not had much difficulty under Devolution Rule 15 The procedure under that rule is that any dispute, in which the provinces do not agree as to the proper division, goes to the Central Government to decide As far as I know, no cases have gone to the Central Government yet.

The President. *Q* —As between Burma and Madras there are a tremendous number of disputes

A.—But they settle all among themselves. Madras gets 5 or 6 lakhs a year under Devolution Rule 15.

Q.—If it were a matter of 50 or 60 lakhs, there would have been a terrible fight over it.

A —That difficulty will arise in any case, the only way to solve it is to have an independent accountant or body of accountants to deal with it.

Q.—I suggest you might take a particular year and determine the share of a province on the income-tax paid in that province for that year, say a certain arbitrary fraction You then have an inquisition and allow for shifting of business, but you should not have this inquisition going on year after year in the case of each individual province.

A —Yes.

Q —Supp[illegible] the amount of income that would be credited t[illegible]
a particular [illegible]
each provinc[illegible]
total provincial share year by year for the following five years and after that bring in the chartered accountant.

A.—Yes; but that does not make the provincial share the first charge. If the provincial share is the first charge, I would not mind.

Q.—Supposing "X" pies was the provincial rate, the provincial share can be found out, and Bengal's share of the provincial share would be $\frac{A}{B} \times X$; then if the next year's rate is Y, it will be $\frac{A}{B} \times Y$ and so on.

A.—If the agreement would last for five years as I suggest, then there would be no difficulty in arriving at the assessed income under my method.

Q —All that I suggest is that you would be entitled to a fixed fraction for five years of the assessed income in your province.

A.—I do not want that, because trade in one province may boom; if trade booms and the assessed income in Bengal doubles, I want my double share.

Dr. Paranjpye. *Q.*—If jute rises and cotton falls, the total income-tax for India might be the same, but you want Bengal to profit by the boom?

A —Yes, we want to take our chance.

The President *Q*—I think we should have to go through each class of business and find a sort of principle on which division should be made.

Sir Percy Thompson *Q*.—If you have a business with branches in several provinces (quite apart from the seat of management), you would have to divide the assessment according to the business in each province.

A —Yes subject to surcharges, such as capital charges, overhead charges and so on

Q—*Suppose you have a company, the head office of which is situated in* Calcutta but the whole of the manufacturing business is done in various other provinces, you would have to fix a percentage which you are going to collect on account of the fact that the seat of control is in Calcutta, and divide the balance in proportion, according to the profits made in the different provinces.

A —That is what we have done in the case of tea and coal.

The President *Q*—How would you apply that to a firm like Ralli's, which buys produce all over India?

A —Ralli's is the most difficult problem of all. In a case like that, as I said before you would have to get a chartered accountant and ascertain what in his opinion should be the proportion which should be reserved for the Calcutta office Assuming that that proportion is fixed for a period of years, say five or ten years, whatever scheme we take up, the proportion must be settled.

Q—For every business that has branches in more than one province, you have to fix a proportion.

A —I do not see any other way out of it.

Dr. Paranjpye. *Q*.—What would you say to this? A bank has only one office conducting its business in Bombay, but its shareholders are in all parts of the country. Obviously the income is earned in Bombay, but it is also earned by people in different parts of the country

A —Because the shareholder in the Bombay bank happens to live in the Central Provinces, I do not think that would give the Central Provinces any claim whatever.

Sir Percy Thompson *Q*—*If you had a province the inhabitants of which* consisted wholly of people who lived on the interest of stocks and shares and dividends, they would pay no income-tax at all.

A —So far as that particular province is concerned.

The President. *Q*.—On the other hand, that province might lose a considerable sum, because they might claim refunds, which would be paid by the province of residence.

A —They might I cannot see how you could follow back the capital to its source

Q.—You would have to have an agreed fraction.

A —It appears to me that that would be impossible. Take the question of *registered shares; you may be giving credit to a province on account of shares* which are not held in that province.

Q—We are considering a proposal that the company should be bound to pay dividends only to registered shareholders

A —That is very sound, but it does not help. Quite a number of companies in Calcutta do not issue cheques for their dividends to any but the registered [illegible]

a great deal of stamp duty on transfers of shares for many years

Dr Paranjpye. *Q*—What would happen to bearer securities without any names at all?

A —Such berer securities would have to drop out under your scheme

A.—Only an independent chartered accountant could deal with a case like that.

Q.—That is why I was asking you whether you were going to have this scrutiny made every year. You cannot put a chartered accountant on to it every year.

A.—A permanent chartered accountant can be put on to deal with all cases of dispute. As long as a particular business is going on ordinarily and does not boom in one place and slump in another, there will be no dispute. For instance, take the case of the East Indian Railway. The whole of the yield from that is going to the Central Government at present. The Provincial Governments through which the East Indian Railway passes get no share whatever. If they claim that they are entitled to a share, that is a dispute which only a chartered accountant can settle.

Q.—Would not the same thing happen in the case of about half the firms in Calcutta? Take a firm like Whiteaway's.

A.—Any province which has no branches of the firm has no claim.

Dr. Paranjpye. Q.—An easy method can be obtained by crediting part of the profits to the turnover and part to the management.

A.—There would be no difficulty in that case. We have not had much difficulty under Devolution Rule 15. The procedure under that rule is that any dispute, in which the provinces do not agree as to the proper division, goes to the Central Government to decide. As far as I know, no cases have gone to the Central Government yet

The President. Q.—As between Burma and Madras there are a tremendous number of disputes.

A.—But they settle all among themselves. Madras gets 5 or 6 lakhs a year under Devolution Rule 15.

Q.—If it were a matter of 50 or 60 lakhs, there would have been a terrible fight over it.

A.—That difficulty will arise in any case; the only way to solve it is to have an independent accountant or body of accountants to deal with it.

Q.—I suggest you might take a particular year and determine the share of a province on the income-tax paid in that province for that year, say a certain arbitrary fraction. You then have an inquisition and allow for shifting of business, but you should not have this inquisition going on year after year in the case of each individual province.

A.—Yes.

Q.—Supposing your rate was three pies, the amount of income that would be credited to the province as a whole would be fixed. You could then take a particular year, have your inquisition and divide that between the provinces; each province will get its share and then you can apply that share to the total provincial share year by year for the following five years and after that bring in the chartered accountant.

A.—Yes; but that does not make the provincial share the first charge. If the provincial share is the first charge, I would not mind.

Q.—Supposing "X" pies was the provincial rate, the provincial share can be found out, and Bengal's share of the provincial share would be $\frac{A}{B} \times X$; then if the next year's rate is Y, it will be $\frac{A}{B} \times Y$ and so on.

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A.—Such berer securities would have to drop out under your scheme

Q.—The fact that some of the shareholders belong to another province will be taken into account in making the proper apportionment.

A.—I do not see how that could be taken into account.

Q.—An independent authority might take them into account.

A.—I do not see how it could, because it would be proceeding on absolutely incomplete information, information which might be 50 per cent. wrong.

Sir Percy Thompson. Q.—Supposing I am a shareholder in a Bombay company and I live in the Central Provinces and get dividends in the Central Provinces, if you levy income-tax, whom do you tax, me or the company?

A.—That a different question.

Q.—I suggest you are taxing me.

A.—I suggest that Government is taxing the company and the company is passing on the tax to you.

Q.—No, because it makes the rate of the tax vary by reference to the circumstances of the shareholder. It is a mere piece of machinery to tax the company.

A.—I suggest that Government is intentionally taxing a company.

Q.—If it is taxing a company, ought not the tax to be at a certain rate, whereas it varies with the circumstances of each shareholder? It may be taxed only at five pies in the rupee in the case of small incomes or right up to the maximum. I think the arrangement of taxing the company is a mere matter of machinery in order to avoid evasion.

The President Q.—How would you deal with Government paper?

A.—We would have the same difficulty as we have with registered share certificates

Q.—So that the provinces which have the issuing office would get the whole of the revenue; or would you give some of these untraceable items to the Government of India?

A.—It is very difficult to say. When you try to trace it back to the source like that, you are bound to land yourselves in difficulties.

Q.—I see your objection to our plan. If jute boomed and cotton did not, you suffer in your arbitrary fraction

A.—I think you would get the two big commercial provinces opposing your plan very strongly.

Q.—We heard three business men of Calcutta, Madras and Bombay and they were all in favour of an arbitrary fraction.

A.—Speaking personally, I do not think you would get the Provincial Governments to agree, because obviously the two big industrial provinces may suffer.

Q.—I do not think that the other Provincial Governments would accept your proposition.

A.—I quite agree; in the same way as they are now quite satisfied with the working of Devolution Rule 15, although it was intentionally framed to benefit Bombay and Bengal.

Q.—You would give nothing to the province that simply produces the raw material, for example, Assam jute which comes into Bengal.

A.—That is very small.

Q.—Supposing that increased, would you give Assam anything?

A.—How could you work that out? In that case you are going to try and trace the cotton which is manufactured in the Bombay mills and in the Pondicherry mills to its place of growth.

Sir Percy Thompson. Q.—That is exactly the problem which is arisen between Great Britain and Northern Ireland. Income-tax is a reserved subject and is administered by Great Britain, but the proceeds credited to Northern Ireland is only Northern Ireland's share. It does seem a little difficult to say that you will not take account of residence in your allocation of the taxes.

A.—It is impossible.

Q.—It is being done as between Great Britain and Northern Ireland.

A.—Because the system of share certificates there is totally different; you are bound to register your shares under the British system

Q.—It seems to me that that can be got over by statute

A.—We can pass a law but we cannot enforce it, no machinery can enforce it A Bank of Bengal share certificate may pass through forty hands without ever being endorsed

The President. *Q.*—If the dividends be six-monthly, you can check it once in six months

A.—The registered holder may cash the dividend warrant, and the actual holder may lose the money

Q.—We understand that there is a ruling of the High Court that the registered holder is a trustee for the actual holder

A.—You do not know whom he pays

Sir Percy Thompson *Q.*—Couldn't you make a transfer registrable within a certain period?

A.—You do not know when the transfer is executed He executes a blank transfer without date

Q.—You can forbid him to

A.—I do not see how you can catch him. He may have received it blank ten years ago

Q.—The transferee who is entitled to the shares will be more careful if he finds that his purchase is going to be invalidated if it comes out that he agreed to the transfer three months before registration

A.—We have no machinery by which we can check this.

Q.—Can stock brokers be registered?

A.—If the British system could be introduced into India, then it would be all right.

Q.—What do you mean by the British system?

A.—Suppose I want to sell ten shares in a certain company, I tell my broker Sir Charles wants to buy ten shares in this company, he informs his broker These two brokers get together and the ten shares are bought. The buying broker must inform the Secretary to the company that the shares have been bought by him on behalf of his client. The Secretary issues notice to the two brokers stating that he would make the transfer if he does not receive an objection within 30 days.

Q.—But before the settlement day comes I can go to my broker and tell him to carry over these shares and I will go on doing it settlement after settlement and will not execute a transfer for months.

A.—As long as the transfer is not made, the Secretary is not notified to make the transfer. The negotiations are still pending between you. Once you settle your negotiations and Sir Charles says, 'I am going to buy,' the two brokers exchange notes and the buying broker informs the Secretary of the company.

Q.—I do not think it is quite that. I sell the shares for a fixed sum, say £100, but I go to my broker and tell him that I have sold the shares for precisely £100, but I do not want to deliver them this time He would carry them over for you. Similarly Sir Charles goes to his broker and says that he does not want to pay £100 this time. The shares thus *pass hands several* times, I do not execute the transfer, but the ownership of the shares passes several times before it gets into the hands of a third party.

A.—These are transactions on margin. Unless you wait for a margin, there is no reason for waiting.

Q.—I may be waiting for a dividend.

A.—Then the transaction has not passed.

Q—I agree that the transaction is not complete.

A—The machinery does not come into action until your transaction is complete.

Q—You can hang over the transaction for completion just as easily in England as the law allows you to do it in India.

A—No. The stamp duty does not become due until the transaction is completed and the machinery to alter the registration does not also come into motion until the transaction is completed, whereas out here we may have a series of completed transactions where the scrip actually passes

Q—You lose duty because they are completed transactions; in England we lose duty because we can do without it. Each loses the same amount of duty.

A.—I do not think they lose so much in actual transactions, unless in buying on margin

The President. *Q*—Do you think it is practicable by legislation to introduce the English system?

A—We have always been advised 'no.' It would create tremendous trouble amongst smaller stock-brokers. I have been told that it would upset the share market very much indeed.

Q—Have you any notes on the subject at which we can look?

A—I rather think that my original notes were all burnt I think there were some notes subsequent to that, I shall see if I can help you.

Q—With regard to import duties, customs, export duties, you think they should be central and you do not wish to press the case for export duties?

A.—I do not wish to press the case for export duties. I take the same attitude as I did before the Meston Committee *viz.*, that export duties may remain central but that account should be taken of the fact in the financial settlement that the taxable capacity of the province has been encroached upon to that extent.

Q—This would be an argument for a larger share of the income-tax rather than an argument for an increase for all. The way to increase the resources of an industrial province is to give the province a larger share of the income-tax. So that the existence of the jute industry would be an argument for giving the province a larger share of the income-tax. You have the three pie rate.

A.—That rate will apply to all provinces. When you are making a general inquiry as regards resources of provinces, as Dr. Paranjpye has said, you will have also to consider how the provinces are taxed and if you take into account the export tax on jute and tea and the excise duty on cotton, the Committee may come to a decision that on this basis certain provinces are already taxed sufficiently and certain other provinces are not, and your final settlement would be based on these considerations.

Q.—I am going back to the axiom which is that whatever system is applied, it must be applied to all provinces equaly. The only method to favour an industrial province is to increase the share of the income-tax or to give a share of the export duties.

A.—Not necessarily a share of the export duties; because your final settlement may be to this effect. We have arrived at this figure which will be applied tc [illegible]
will give [illegible]
certain ot [illegible]
to carry [illegible]
have not [illegible]

Q.—The only way you have got of weighting the scales to one province or class of provinces or another is by increasing or decreasing the fractions of a particular tax.

A.—Yes; income-tax, super-tax, etc.

Q—Supposing one province has taxed itself severely on excise, the increase in the general rate of excise will benefit that province so that the financial settlement can only consist in adjusting the fraction.

A—Yes.

Q—Then you would not give export duties to particular provinces but would take them into consideration in making the adjustment?

A—Yes; personally I would not mind making any particular claim on particular duties I think the question might be looked into further.

Q—We find much dificulty with regard to the revenue from locally-made foreign spirit which really is not worth much

A—I have not been able to look into that.

Q—On account of the difficulties, the Finance Members were asked to lay down a formula which they did. But it does not really work well and it looks as if it would be much better to have a uniform rate and divide according to consumption. Would you agree to that?

A—I would not object to it.

Q—With regard to opium and hemp drugs, they are working towards a monopoly We give the Government of India a share in order to recoup it for what it loses on income-tax over the whole of India. Would you, in the case of opium and drugs, apply the principle of a basic rate? If it is a uniform rate, you would not mind?

A—No, I would not The difficulty has been raised because of the fear of interference with provincial administration. But if it is a basic rate that interference does not come in. If it is settled that of the rate per gallon of spirit, a small proportion goes to the Government of India and the rest to the province, I see no difficulty.

Q.—One province may be very slack in administration or adopt a strong temperance policy and it may be paying less than the other provinces Suppose a province with a consumption of X gallons administers its affairs so that its consumption of licit liquor is reduced to X/2 and X/2 is illicit.

A.—Yes; then the Government of India would suffer.

Q—The other provinces would also suffer because they would still pay on the whole of the licit consumption.

A.—Yes.

Dr Paranjpye. Q.—If a province wants to hit other provinces, it will have to blind itself in both eyes in order to blind one eye of the other provinces.

A.—Yes. The deterioration of the excise, say, starts about the 2nd or 3rd year and the whole financial settlement ends in 5 years. Then this would certainly be taken into account as against that province in arriving at the new settlement. The incidence of excise as a result of the difference in methods of administration is, no doubt, extraordinarily difficult. Provinces which are allowing illicit consumption to take place would gain and the provinces that are enforcing the law would suffer.

Sir Percy Thompson. Q—With regard to income-tax?

A—Of course the case of income-tax is rather different. Madras always claims that they collect practically every rupee that is assessed, whereas we know that in Calcutta we have never done this and it is very difficult to do it.

The President. Q.—That claim relates to the days before the Central Administration.

A.—They claim it now.

Q—A tax on country tobacco involves some difficulty. We are not able to get at any scheme for taxing acreage or for levying an excise, because there is an enormous and widespread cultivation and half the stuff is not manufactured at all and what is manufactured is manufactured as a cottage industry.

A.—We in Bengal went into the question of a tax on tobacco two or three years ago and we could see no way of solving it.

Q.—The only way which suggests itself to us is to sell the monopoly of vend over limited areas; have licensed traders, exporters and vendors of manufactured tobacco and put an excise on cigarettes. Then the cultivator will have to sell his crop over and above the limit of possession, either to the monopolist of his area or to the monopolist of some other area or a licensed trader or exporter

A.—But how could you prevent illicit buying?

Q—The monopolist is interested to prevent that; he will get all the vendors in his area into his control. It is rather like the old liquor scheme. It used to work fairly well

A.—Yes; it might work

Q—With regard to super-tax?

A.—Super-tax stands on a different footing as far as Bengal and Bombay are concerned. The super-tax is more a matter of central management. It is good management or bad management that produces the income liable to super-tax and therefore, I think, that the industrial provinces will have rather a strong claim there.

Q.—I thought you were going to say that the super-tax should go to the Government of India.

A.—No. We rather claim a share of the super-tax.

Sir Percy Thompson *Q*—You mean the super-tax on companies?

A—Yes.

The President *Q*—It is mainly a matter of the size of the company.

A.—No, it is mainly a matter of good management of the company. I have instances in my mind of small companies with excellent management paying very heavy super-tax and very big companies paying no super-tax at all. Both are in Calcutta.

Q.—I think you are coming to the Australian method of division which gives to the Central Government all the income-tax on companies and larger incomes and the provinces all the income-tax on smaller incomes.

A.—No, it could not be that.

Q.—Regarding death duties, I suppose they would be mainly provincial

A.—Yes. There may be a fixed division as between central and provincial.

Q—I am speaking of the division as between provinces. Supposing a man has property in two or three provinces and he dies.

A.—That can be settled when the probate is taken out.

Q—Supposing a big Calcutta merchant dies in Allahabad and all his scrip is in his house there Would that all go to the United Provinces?

A.—I do not see how it could be avoided.

Dr. Paranjpye. *Q*—Won't it go to the provinces of domicile and not the actual place of death?

A.—The probate will be taken out in the province of domicile.

Sir Percy Thompson. *Q*—In the case of income-tax, are you going to take domicile as the test or the location of the assets?

A.—It is different in the case of death duties.

Dr. Paranjpye. *Q.*—In the case of immovables it may be location and in the case of movables it may go with the place of domicile.

A.—I am afraid I have not thought of that. I was thinking only of the immovable property and was under the impression that it would go to the place of location.

[illegible] th 10 lakhs of rupees, half of which [illegible] Now, death duty is generally pro- [illegible] lakhs it will be charged at the rate [illegible] will be charged at 6 per cent. Now each of the provinces in which the prop [illegible] per cent

of the 5 lakhs and let the other 4 per cent on the whole ten lakhs go to the Central Government

A—I do not see that at all I would have fixed shares. Assume the probate is taken out in Calcutta

Q—It may as well be taken in Bihar.

A—But why should the Central Government come in and take 4 per cent?

Q—Because it is really the connecting link between the two provinces.

A—I do not think the provinces will agree to that

Q—The provinces will really have no claim for this higher rate at all. Each would be entitled only to its share

A—No, when probate is taken out in Bengal they might demand inventory of the whole estate and charge at 10 per cent on the whole estate. Bihar might also do the same

Q—Let each of the provinces take its due with respect to the property situated in that particular province and give the extra rate to the Central Government

A—Why should not the two provinces combine and divide the loot?

The President. *Q*—With regard to stamp duties, we have been given a great deal of evidence that making them provincial was a great mistake and that it would be much better to keep them under central control. There is a suggestion of central fixing of rates and of provincial administration. Then how about the division of proceeds?

A.—This is a very difficult problem. By mutual arrangement we give Rs. 45,000 annually to Assam on account of stamp duties on documents executed in Bengal but dealing with land situated in Assam.

Sir Percy Thompson *Q*—What about cheque stamps? A bank which has its headquarters in Calcutta probably gets its stamps from Calcutta.

A—No province has ever made a claim about that.

The President *Q.*—What sort of basis for division would you make? Would you bring in the chartered accountant again?

A.—You might see whether the cheque is impressed in Bengal and is used to pay a bill outside Bengal.

Sir Percy Thompson. *Q*—Supposing there is a transaction in Bihar and Orissa and it relates to Bihar and Orissa. The man may get the stamp anywhere in India and the profits are credited to the province in which to buys the stamp.

A.—How would it be possible to follow up these cheques, to find out whether a transaction was wholly within the province paid by a cheque stamped outside the province?

Q.—The only thing you could do would be to have an appropriated stamp for each province.

A.—But that would not prevent my drawing a cheque in Calcutta and paying my grocer in Patna.

Q.—The transaction in respect of which you pay that stamp duty takes place in Calcutta, at the bank. I do not think there is anything unfair in that Supposing however, I sell land in Calcutta and execute the transfer deed in Patna. I happen to buy the stamp paper in Patna. It is rather unfair that Calcutta should lose that duty.

A.—That may be as regards cheques. As regards transactions I do not think it would amount to anything very much so as to need a separate enquiry.

The President. *Q.*—What about transactions in shares?

A.—That is different Say I am dealing with the Calcutta Stock Exchange. How can I divide my transaction with Bombay?

Q—Do you derive a considerable amount of revenue in this way from other provinces?

A.—I do not know. Excepting in the big commercial cities, the transactions elsewhere are all of little account. Probably both Bengal and Bombay could prove that.

Q.—Are there transactions in shares in the rest of India?

A.—Not to any great extent.

Q.—In Assam?

A.—There are very few transactions in shares of Assam tea estates. They are all held tight Very few come to the market.

Q.—In Assam there are no transactions just now. But a certain amount of money is involved and just as in the case of cotton duty you would take that into consideration in making a settlement.

A.—Yes.

Q.—Do you agree that rates of court-fees should be fixed by the Central Government? We find for instance that in Bihar and Orissa a big suit is being filed in Allahabad because of the higher court-fees in the former province.

A.—This can only be when the subject of the suit lies in both provinces. I do not see why this should be forbidden If one has got property in the United Provinces he is entitled to file a suit there and I do not see why such a detail like that should necessitate central fixation of court-fees.

Q.—In some provinces there are great difficulties in raising the registration fees

A.—If they want to raise the tax in some other way, why not let them?

Q.—Then there are taxes on transactions such as bills of entry. There is a court fee stamp for a bill of entry filed before a Customs Officer. It should belong to the Government of India.

A.—I would quite agree if the Government of India would agree to pay their share of what local Governments pay in the shape of police, sanitation, and medical relief as a consequence of a major port being situated in the province.

Q.—Do they not pay for the port police?

A.—*Only for a small portion of the police necessitated by the existence of* the port

Q.—Have you a tax on transfers of immovable property?

A.—We have it for the Calcutta Improvement Trust. The Trust depends partly upon this tax. It is on transfers in Calcutta and Howrah.

Q.—How do you enforce payment?

[illegible]

[illegible] should remain provincial, [illegible] they have a good deal of [illegible]

A.—I do not see how local bodies incur any expenses in this connection.

Q.—What about the roads to the race-course?

A.—These are kept up by the province, not by the Corporation. The maidan is outside the Calcutta Corporation.

Q.—Lighting?

A.—The Government of Bengal pay for lighting these roads.

Q.—For lighting outside cinemas?

A.—The cinema pays for the lighting. There is no extra lighting by local bodies on account of that.

Dr. Paranjpye. *Q.*—In fire-engines and things of that sort the local bodies are put to certain expenditure.

The President.—You object to sharing.

A.—Personally my own opinion is that we made a bad blunder in putting *on an entertainment tax at all apart from the tax on betting.*

Dr. Paranjpye. *Q.*—In Bombay we get about 16 lakhs.

A.—In Bengal we get about five lakhs only from the entertainments tax as apart from the betting tax.

Q.—There is great pressure for the introduction of it elsewhere.

A.—It is not worth it We have another tax from which we get 22 to 25 lakhs *i.e.*, the tax on betting

Q.—Is that satisfactory?

A.—Satisfactory from our point of view, but not from the point of view of the Calcutta Turf Club

The President *Q.*—Has it reduced betting very much?

A.—It has reduced betting in that it has lowered the standard of bettors. Many people who used to resort to the first enclosure now go to the second enclosure and from the second enclosure to the third enclosure. In that way it has reduced betting

Q.—As regards the circumstances and property tax we hear the complaint that local bodies cannot get the details of incomes as assessed for purposes of income-tax What is suggested is that the income-tax people should supply lists of incomes of assessees.

A.—To a certain extent that would be giving away confidential information the sacredness of which is strongly insisted on in the Income-tax Department.

Q.—Can you tell us something about the taxes on which your Improvement Trust depends, any special taxes?

A.—We have a terminal tax on the passengers coming into Calcutta I could give you a list from the Act.* In respect of transactions in property in Howrah and Calcutta we collect one per cent.

Q.—Nothing in the shape of betterment tax?

A.—Yes, we have what we call an exemption fee If a man wants exemption, we charge him a certain rate on the lands that he wants to exempt from acquisition A man may come forward and say 'my land is not interfering with your alignment' or 'I am prepared to give this piece instead of [illegible] ommittee of the Trust and [illegible] If they agree to exempt, [illegible] tion fee. Then comes the [illegible] d where the owner of the [illegible] nd as finally settled, after enquiry he may ask to be allowed preemption in preference to all others at rates to be fixed between him and the Trust.

Q.—You always proceed by way of acquisition.

A.—Yes. Unless you acquire by land acquisition you cannot get a clear title.

The Maharajadhiraja Bahadur of Burdwan. *Q.*—You very often acquire sites and sell them to the highest bidder for new houses.

A.—Yes. At the present moment we have got 90 lakhs worth of land for sale

The President. *Q.*—Your operations are all in areas built on?

A.—Oh, no.

Q.—Where you open new lands do you charge betterment tax?

A.—In the South Park Street scheme it is all open land. There we do not ordinarily charge a betterment tax, but we sell the land to the highest bidder.

Dr. Paranjpye. *Q.*—That would mean a lot of people being turned out of their lands

A.—Yes. But if the original owner shows a good case he gets exemption.

Q.—After paying betterment tax he can keep the land?

A.—If he shows a good case we allow this.

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* See section 82, 83 and 84 of the Calcutta Improvement Act (Bengal Act V of 1911).

31st March 1925.

CALCUTTA.

PRESENT:

Sir CHARLES TODHUNTER, K.C.S.I., I.C.S., *President.*
Sir BIJAY CHAND MAHTAB, G.C.I.E., K.C.S.I., I.O.M., Maharajadhiraja Bahadur of Burdwan.
Sir PERCY THOMPSON, K.B.E., C.B.
The Hon'ble Sardar JOGENDRA SINGH.
Dr. R. P. PARANJPYE.
Dr. L. K. HYDER, M.L.A.

Mr. C. ADDAMS-WILLIAMS, C.I.E., M.L.C., Secretary to the Government of Bengal, Irrigation Department, was examined.

Written memorandum of Mr. Addams-Williams.

In view of the fact that both water rates and tolls have been raised recently on all canals in this province I cannot recommend any further increases on open canals at the present time: water rates have been raised 50 per cent and tolls between 40 and 100 per cent.

The reply I would give to question No. 13 is that the canals should be administered on a commercial basis, that is to say, they should pay all expenses including interest charges *plus* a small margin or profit.

Q. 15.—The charge for water supplied from the Bengal canals can probably be raised in the future: for many years Government have not charged rates which were commensurate with the benefits derived. The charge on the Midnapore canal can probably be increased still further, but I do not advocate an enhancement now until the present rates have been in force for at least 7 years, the term for long leases, so as to give everyone the benefit of renewal of leases under present rates. On the Eden canal it would probably not be advisable to raise the rates again for some years because the supply is precarious; if the proposed Damodar canal is made this canal will provide an assured supply to the Eden canal and rates can be considerably raised. The principle in force has been to ascertain by crop experiments the value of canal water to the cultivator and to take a portion of the benefit in the form of a water rate, though no proportion has actually been fixed; the case has been tested by actual enhancements to see whether the people could pay more or not: there has been a little trouble on the Midnapore canal due to the recent enhancement and cultivators withheld from renewing lapsed leases, but are now renewing. On the Eden canal there has been no trouble. I would advocate the rates being fixed so as to give a fair commercial profit, but it seems improbable on the Midnapore canal that this can be done, as the area which can be irrigated is limited by the supply available: it is probably not possible in Bengal to charge an owners' rate because of the permanent settlement.

Q. 16.—I think the State should take a portion of the increase, where this is not barred by the permanent settlement, in the form of a betterment tax.

Q. 17.—In areas in which the permanent settlement is in force it would appear that Government cannot charge the zamindar: we deal direct with the cultivator only.

Q 111.—I do not advocate the abolishment of tolls: considerable expenditure is incurred on the maintenance of navigable routes in this province and the Local Government cannot afford to throw these routes open to free navigation: the tolls imposed do not restrict navigation which is evidenced by the fact that since they were increased traffic has also increased. No limit can be fixed for the distance between toll-gates in this province; they are located to command certain reaches and the tolls are calculated on the mileage of these reaches.

Mr. Addams-Williams gave oral evidence as follows :—

The President. Q.—I think you only deal with two subjects, water-rates and tolls on navigation?

A.—Yes, Sir.

Dr Hyder. Q.—Could you tell us the main features of your system of charging for water in canals?

A.—Water rate is collected directly from the cultivator on actual measurements of his lands and is imposed at a rate per acre. We keep our own staff for making the measurements and collections.

Q.—Does the rate vary according to the crop?

A.—Most of our irrigation in Bengal is for paddy cultivation and there is very little *rabi*. The *rabi* cultivation is so small that it can be left out of account.

Q.—Do you enter into contracts with the cultivators for a term of years?

A.—Yes, we enter as a rule into 7 years leases; some leases are for 5 years and some are for 3. The short term lease is generally given in order to equalise the area lapsing each year. We vary the term of the lease in order to equalise the area lapsing each year.

Q.—I now come to your note. You say in reply to question No. 13, that the canals should be administered on a commercial basis, that is to say, they should pay all expenses including interest charges *plus* a small margin of profit. You cannot give any numerical value for the small margin of profit.

A.—I mean a small percentage, say, up to 5 per cent.

Q.—How many canals have you in Bengal?

A.—We have only two canals, the Eden canal and the Midnapore Canal.

Q.—And one more is under construction?

A.—No, one is projected, the Damodar canal.

Q.—I do not understand why it is not possible in Bengal to charge the owner's rate because of the permanent settlement. Government made permanent settlement with the zamindars in respect of land revenue, but the Government did not settle permanently with respect to any benefits that it might confer through its activity after the permanent settlement. Why should not Government charge the owner for water?

A.—This is a point on which, I am afraid, I cannot give you any reliable evidence. I am not well up in the subject. I always understood the permanent settlement did stand in the way. But I cannot give you the exact reasons.

Q.—The point I wish to put before you is this. When you construct a canal you make the area secure. Is not the zamindar, although he has settled his lands permanently, entitled to raise his rent?

A.—Not that I am aware of. I won't say he does not, but I am not aware of it.

Q.—To whom does the benefit go?

A.—I think it goes entirely to the cultivator.

The Maharajadhiraja Bahadur of Burdwan. Q.—I think I can clear Dr. Hyder's point You do not debar a zamindar from taking the water from you for his *khas* lands?

A.—No.

Q.—What I mean to say is that in these areas if a zamindar wants water, he has to pay for it. He does not get the water as a matter of right because he happens to have a permanent settlement.

A.—No.

Dr. Paranjpye. Q.—Could not Government charge a monopoly price?

A.—I do not think it is advisable in this Province where we charge an acreage rate.

Q.—In the case of permanent settlement, do you think the Government will be justified in charging a monopoly price?

A.—I do not think so. At any rate I would not alter the present system.

Q.—Is there much demand for water from your canals?

A.—Undoubtedly there is.

Q—Have you increased the rates to the full extent which the cultivator will pay?

A—We are testing this by raising all the rates. We have just raised the rates.

Q—Even then there is demand for water?

A—There was a little set back last year, I do not know exactly the reasons for it, most probably it was due partly to political reasons, but I am not quite sure what it was due to. In any case the cultivators have begun to come in this year We made up a good deal of leeway last year on the Midnapore canal. In the Eden canal where the rates were raised by 50 per cent, we are actually irrigating a greater area.

Q.—As long as you find your irrigation income does not go down, do you think you are entitled to raise it to the pitch of the maximum return?

A.—No, we cannot do that. At least here in Bengal I would not go so far. I would raise the rates slowly.

Dr. Hyder. Q.—Applying this test, do your canals pay?

A—No

Q—Are they subsidised?

A.—They are not subsidised, they do not pay interest charges. As a whole they are not profitable.

The President. Q—Does not that mean that the general taxpayer is paying for the benefit of a particular class of people?

A.—Yes.

Q.—So long as that condition continues, you must try to get as much as you can from your canals?

A—Yes, that is exactly what we are trying to do. I think we have been much too slow in raising the rates in the past.

Dr. Hyder. Q.—Is the competition only from rainfall?

A—Yes. but then 6/7ths of the area is always under lease and the cultivators are bound to pay in any case whether they mature their crops by canal water or rain water.

The President. Q—This supply of water yields both an annual benefit and also a permanent benefit to the zamindar, I mean, temporary benefit to the cultivator and the permanent benefit to the zamindar.

A—I am not quite sure how it benefits the zamindar permanently, but it certainly benefits the cultivator.

Q—You cannot say whether the permanent saleable value of the land is increased and thus benefits the zamindar?

A—I do not know that.

Sir Percy Thompson Q.—If you charge the maximum rates the tenants could pay, it will not increase the value of the land?

A.—No. So far as we are concerned we have not reached that stage as yet.

The President Q.—You say that you do not advocate an enhancement now until the present rates have been in force for at least 7 years, the term for long leases so as to give everyone the benefit of renewal of leases under present rates. I do not quite understand what you mean by this?

A.—We raised the rates only two years ago and as one-seventh of the area lapses each year, I should like to keep the present rates so that everyone will have a chance of coming in under them.

Q.—So that you would not be able to enhance again for another 7 years?

A.—Yes, for 7 years from the date of the new rates. If rates were raised in 1924, it would not be advisable to enhance them again until 1931.

Q.—Would you reconsider the rates periodically?

A.—*I think this ought to be considered periodically with reference to the* price of the produce and the cost of maintenance of the canals.

The Hon'ble Sardar Jogendra Singh. Q.—Do you charge crop rates?

A.—No, this is an acreage rate for a particular crop. For paddy a certain rate is paid and for rabi another rate is paid.

Q.—For ordinary rice, how many acres you can irrigate?

A.—The duty varies enormously, but generally we work up to 120 acres per cusec. Sometimes it is little more and sometimes a little less, but it depends upon the rainfall.

Q.—When do you generally have a great demand for water?

A.—There is a great demand in July and August for transplantation, but the big rush comes in October when the monsoon is receding, for paddy cultivation. Sometimes the demand is small in July and August.

Dr Hyder Q.—Why there is so much rush in October?

A.—Because that is the time the grain is forming when it must have sufficient water.

The Hon'ble Sardar Jogendra Singh. Q.—Does it at any time happen that water is not required at all?

A.—Occasionally it happens, but we have never had to close our canals on that account. Generally in July and August and in October there is always a demand for water. Occasionally there may not be need for water in July and August.

Q.—How many cusecs can your irrigation works carry?

A.—The Midnapore canal was designed for 1,000 causecs and the Eden canal for 600.

The President Q.—You say the area is limited; was it originally started as a famine work?

A.—The Midnapore canal was originally started by the East India Company. *In those days they had extraordinary ideas as to how much could be* irrigated with a given supply. They took duties up to 220 acres per cusec whereas in dry years we only work to about 80.

The Maharajadhiraja Bahadur of Burdwan Q.—Can you explain to us what is the actual system of tolls here? We have, for instance, these canals that go out of Calcutta on which you have a very large boat traffic and you charge tollage.

A.—You mean the system of measurement. It is done as follows. Every boat is measured as it passes the toll office. The water line length, the greatest breadth and the submerged depth is taken. These three items are multiplied together and one-half is taken and the result gives the maundage we charge for. In some cases an empty boat is charged only at half the rate.

The President. *Q*—Does the charge also apply to river navigation?

A.—There is only one case where there is a river toll and that is on steamers and flats passing through the Sunderbans. They are charged at a rate per vessel per trip. It is a very moderate rate; it is only ten rupees per vessel per trip In the case of the Madaripur Bhil there is a large amount of steamer traffic but we make no actual measurements We charge a rate on the cargo carried as shown in the ship's manifest and we also charge on the tonnage of the steamer. Assam traffic pays more than the Cachar, while local traffic pays the most. There is another alternative route to the south. The benefit the steamer companies receive is the shortening of the distance by 115 miles We really charge proportionately to the amount of distance saved

Q—There is no charge on the Hooghly river.

A.—No.

Q—Could you not make it an annual charge? The plan would be to register the boat once a year and give a license for plying the whole year.

A.—We have not gone into the question The present system works very well indeed. The cost of collection is very small and the toll collectors who must be retained for measuring boats also collect the manifests.

Q—Why is it necessary to collect manifests?

A—We assess on the cargo shown in the manifests and the companies pay monthly

Q—In sea-goting traffic there are two classes of tax, one for the benefit of the mariner on the ship and the other is for the convenience afforded for the passengers and goods. The proper way would be to tax the tonnage of the ship.

A—It could be done. It does not make much difference which way you assess.

Q—What I am driving at is, is it necessary to go into the question of what they carry?

A.—Well, we have to keep certain statistics for water borne traffic.

Q—Your statistics for river-borne trade are similar to the railway-borne trade; the latter has been abolished Do you think there is any use for your statistics?

A.—I cannot say what use they serve, but we send in these statistics to the higher authorities. Sometimes they are useful; for instance, in financing the Howrah bridge, the statistics have served a useful purpose.

Q.—You have never considered the question of simply registering the boats and charging them every year.

A.—We have not considered this question. Our present system is so simple that you cannot have a simpler system than we have now.

Sir Percy Thompson. *Q.*—I think yours is the fairer system, to charge on the cargo carried.

A.—I think it is The man who actually benefits is the consignee and he pays for it

The President. *Q.*—Do you earmark the funds realised from tolls?

A.—No, they go to the general revenues.

Q—Do you keep any account to know whether the Government makes any profit or not?

A.—Yes. We have revenue reports. We have just passed through a very bad year of trade depression, but matters are improving and in our biggest steamer channel, I think, without raising the toll when the trade comes back fully, we will be able to pay the interest charges.

Sir Percy Thompson. *Q*—Are there navigation tolls on any of the canals you mentioned?

A.—Yes, in the case of the Midnapore canal which is chiefly used for irrigation navigation tolls are also levied. I think there will be two channels that will prove productive before long. Now we have raised the toll on the Madaripur Bhil it will perhaps prove productive, and the other is the Hijili canal But I do not think, there is any chance of the Midnapore canal proving productive I think the two I have mentioned will be productive In the case of the Midnapore canal we have very severe competition from the Bengal Nagpur Railway.

The Maharajadhiraja Bahadur of Burdwan Q.—Why was the toll which you were levying on the Nadia rivers given up?

A.—Because we found we were losing heavily on account of railways having been opened on both banks of the river

The President Q.—Did you start to charge tolls on river traffic?

A.—We were charging tolls for many years on the Nadia rivers; the railway extensions on both banks of the river practically took up all traffic and we therefore abolished the toll We spend a good deal of money in maintaining the rivers

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Mr. H. C. LIDDELL, I.C.S., M.L.C., Secretary to the Government of Bengal, Judicial Department, was next examined.

Written memorandum of Mr. Liddell.

Q. 83. Stamp duties deal with instruments and not with the transactions leading up to the bargains. A vendor may convey property without executing any instrument and in such cases he pays no stamp duty. Stamp duty is realised by the Crown only in certain cases where the party elects to effect a transaction by means of an instrument it is thus merely a means of collecting taxes on certain transactions when these transactions are carried out in a particular way

There seems to be no uniform principle in deciding the basis on which duty should be levied. A deed conferring authority to adopt is chargeable with 10 per cent duty though the authority may never be acted upon. In 1899 [illegible] was made liable to a like duty on the grou[illegible] e often conveyed. If the transfer of valua[illegible] or a stamp duty the amount of duty migh[illegible] of the rights and transfers by registered deed might with advantage be made compulsory. If the value of the rights which pass by the transaction be the criterion for duty, transfers of securities by endorsement seem equally dutiable.

A gift is liable to 1 per cent duty like a conveyance, calculated on the value 'as set forth in the instrument'. There seems little reason why a person paying the full market value for some property should have to pay the same in duty as a person who is getting similar property for nothing.

A gift pays 1 per cent, a settlement pays ½ per cent, transfer by delivery pays nothing: revocation of a settlement or trust pays a fixed fee. It is not easy to find any logical reason for the assessment of different scales in such cases.

The levy of duty on 'the value as set forth in the instrument' tends to benefit the dishonest.

Stamp duties are a form of automatic taxation applied by people to their own transactions: the law requires therefore to be fully stated and clearly stated since it is the people themselves who interpret it It does not help matters when it is found that the definitions differ from ordinary usage (*e.g.*, definition of Bill of Exchange).

Where the value of the property which passes becomes a standard for assessing duty in some cases and seems a perfectly equitable basis of assess-

ment, a similar standard might be applied to cheques or to receipt stamps or to both.

The exemption from duty of renewals of debentures and of renewals of insurances seems unnecessary · duty on such renewals has the same justification as on the original transaction.

Q. 89.—The suggestion that stamps collected on judicial proceedings should be limited to the amount required to pay the costs of the courts would be found unworkable in practice and it would be impossible to frame any equitable or uniform system of assessment. It would result in a system of payment for work done which would only result in an uncertainty which would be fatal. Any such system must result in embarrassing surpluses and embarrassing deficits: the amount of litigation is always fluctuating and the number of courts needed to deal with it is constantly varying. On how many years experience would an average be struck? An alteration in the law may reduce the work of the courts: another alteration may increase them. Cer-

remedy against B for which he has paid at a certain rate then prevalent on appeal the order is reversed and is paid for at a different rate then prevalent: if the old rate is made applicable to cases instituted while it was prevalent there is the anomaly of similar cases paying at different rates for the same remedy: if the rate which will eventually be charged is not known in advance there will be intolerable uncertainty.

It seems neither possible nor desirable to isolate Courts of Justice these are only a part of the State-system. The State may and does draw the distinction between civil wrongs and crimes at whatever point it cares to determine, leaving private parties to seek their own remedy in some cases and prescribing jail and fine (or worse) for other cases of a similar kind (not always more severe or serious, e.g., adultery and defamation in India). The whole moral effect of jails ... hole of Civil Law, ... helps the cause of ... Where such assist ... justice their costs also might legitimately be charged in part to the cost of justice. Conversely the punishment of offenders and the victory of right over might may have an effect in other spheres of the social life. It is not humanly possible to decide how the cost of the courts ought to be distributed.

Resort to the law ought not in India to be taken as equivalent to ability to pay · there is probably more champerty afoot in India than comes to light. There can, however, be no doubt that resort to the law is in many ... agined but by mere feelings of ... a hobby. With others it gives ... instinct. With others it takes ... of cases and certainly in the great majority of execution cases one feels that a plaintiff who has a good case is faced by an antagonist whose only desire is to raise all sorts of obstacles to hinder or defeat a just claim. In such cases it seems legitimate to tax (and to tax heavily) the party who eventually has to pay for what is really a form of malicious pleasure.

Q. 90.—Stamp duties on deeds of disposal or transfer of property cannot be legitimately said to be levied in restraint of trade. Where a person makes a transfer of property in such form he or the transferee and possibly both have many other considerations in view, *e.g.*, certainty of title or of subject matter, security, convenience, avoidance of journeys to take delivery, avoidance of future trouble, etc. For such objects as for insurance people do not object to pay and should pay. It is open to them in petty cases (under Rs. 100) to transfer otherwise in which case no stamp duty would be payable.

To say that such duties are levied in restraint of other forms of personal and social utility is to lay a charge which might be laid against any form of

expenditure and against every tax even of the most laudable and equitable kind It seems a particularly baseless change against stamp duties on deeds of transfer where very substantial additional advantages are gained by the execution of a deed

Q 157.—Duties on inheritance and succession in the form of an estate duty are in my opinion among the fairest and most equitable of all forms of taxation it seems but a small return or repayment to the State for the security under which alone the property could have been either amassed or retained and enjoyed it is levied on property which since it still subsists at his death was not a necessity to its owner and to which no one else has other than a moral claim and it is levied at a time when the real owner is not affected by the payment

Q. 158.—The proper basis of assessment in such cases seems to be the size of the estate left We seem in such cases to be concerned only with the deceased, his estate and the State The size of his family, the number of his relations and the degree of relationship or family affection seem absolutely immaterial. A has amassed certain wealth for which he had no need and which he did not give away he might have dissipated the whole of it (I leave aside the case of an entailed estate) *no one before his death had any valid* claim to any part of it the State's claim arises at the moment of death before any one else gets the property and there seems no reason why the amount which the State claims should be affected by anything else than the amount left.

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and is just as likely to do injustice as the reverse In case of succession some such difference in scale might perhaps be justified on broad grounds but it is bound to be arbitrary and no two nations seem able to agree as to how the scales should be arranged

In India there are complications due to the personal law as may be seen in
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Q. 159.—(i) It seems difficult to lay down that taxes on inheritance should be unchanging. If the State finds that it does not require the taxes it has no justification for levying taxes. If it can remit taxes in part it ought to do so. In the case of inheritance and succession duties, in most cases, nobody is very prejudicially affected for every one stands to get more than they are really entitled to. Where however the State does require the taxes on what principle should it
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make the taxation n
in the
immediate future or
very
definite answer can be given on general lines. I do not however agree with the proposition as stated.

(*ii*) This proposition is laid down with embarrassing vagueness of expression, such that I am unable to discuss it

(*iii*) The solution suggested seems to be the best under ordinary circumstances, but even as expressed it indicates one condition of success, for it refers to a Federation where the States which join the Federation may have very different rights and may abandon or retain their rights when they join the Federation. It may not be possible or practicable in all cases to levy duties on Federal lines. There seem to be some such difficulties in India where different nations have different personal laws and where even Hindus may belong to different schools with different laws of succession. In applying such a proposition to India very difficult political questions at once arise. A difference in the laws of devolution of property may result in one province getting little profit out of such a tax owing to difficulties in assessment of the estate which passed or in collection of the duty. It seems that in the absence of what one may call an all-India spirit one province may object to be taxed on an all-India rate because of the needs or difficulties of some other province. *Primâ facie* it would seem that inheritance and succession duties should be dealt with on lines analogous to income-tax but it is possible to draw many differences The Committee which recently considered this question here in Bengal were agreed that the rates or scale should be provincial and open to alteration by the province. This may seem to be prompted by provincial politics or inter-provincial rivalry and to involve difficulties in practice connected with assessment of a business extending to different provinces but it seems likely that the weight of argument is in its favour in view of the great difference as between the different provinces both in law and in prevalent conditions.

Q. 140.—I can suggest no scale as one which is *primâ facie* applicable to Indian conditions.

Q. 141.—The joint family system raises many difficult questions—specially under the Mitakshara law. There is here no 'succession' properly so called but survivorship. The survivors benefit by the death to the extent of the share of the estate to which the deceased would immediately before his death have been entitled on partition. This seems to be a workable basis on which to levy an estate duty It would however be difficult to apply this to all cases to which theoretically it should apply. Rights are acquired by birth into the family and every death enlarges the beneficial interest of the survivors even where the death is that of an infant or child The death of a young child or infant may have a greater effect in increasing the shares of survivors than the death at the same moment of an adult but the infant's death is likely to escape the notice of all but its immediate relatives. Unless registration of deaths is compulsory, many cases where property passes by survivorship will never come to light. One result of this seems likely to be that one school (*e.g.*, Dayabhag) may feel that their system of law involves heavier [illegible]

An annual or periodical levy seems unjustifiable where other equitable assessment is feasible.

Q. 142—This proposition seems quite tenable

Q. 143—The difficulty described as 'unanswerable in the case of small proprietors' would hardly be peculiar to India but it does not seem to be stated with accuracy so far as India is concerned. The death of the 'head of the family' has not the importance in the *Mitakshara* school than it has in the *Dayabhag* after the family has been joint for one or two generations. The 'head of the family' need not be an earning member at all and he may be

the reverse in many zamindari families even in Bengal the 'head of the family' may be the only male member who does no real work, the sons being in business or service and the rents of the ancestral property accruing in the absence of the 'head of the family' through the activities of an agent. it does not require an 'earning member' as the 'head of the family' in order to 'make the property pay' in all cases. In the case of a divided family with young sons there may be hardship but I can find nothing which would indicate hardship in the case of a 'small proprietor' with grown-up sons earning [illegible] money

Further the share of the 'head of the family' which passes on death and on which duty might be levied is not necessarily all that the family has: nor is it the sole occasion on which duty would be levied

The argument seems misleading in its general form. It does not even state whether the suggested minimum of Rs 5,000 means the gross or the net value of the estate

Q 144—Payment might be made a charge on the estate payable by the '*Karta*' of the family or by any person or persons jointly and severally to whom the interest of the deceased passes or accrues.

No inheritance or succession should be recognised without a grant from a competent court of probate letters of administration or succession certificate. It seems to be possible to enforce this in the case of landed property on which cesses have to be paid—the Collector moving the court in the case of the death of a registered proprietor to call upon the heir or successors to take out Letters of Administration and provision being made to penalise delay or evasion by the levy of duty at an enhanced rate or by the levy of a daily or monthly fine.

Stocks and shares and bank deposits and accounts seem capable of being reached to some extent at least

In the case of other movables the difficulty would be no greater than is at present experienced in the case of applications for probates, etc. Objections may safely be anticipated, *e g*, that some property is separate property of some other member or that it belongs to some other person: such objections give a deal of trouble at present in cases of intestacy, etc. (though they are not so frequent in my experience in probate cases) It seems possible however to exclude altogether from estate duty the really small estates (say up to Rs. 10,000) in which movables of paltry value are not likely to be of relative importance sufficient to lead to serious objection: the cost of fighting the duty by making an objection in court would in most cases be much more than the duty imposed

[illegible] which might become [illegible] but such work is at [illegible] there ought to be no[illegible]

Q. 145.—I have no suggestion to make.

Q. 146.—In the absence of anything of the nature of reliable statistics which would indicate the real incidence and effect of the duty it is not possible to suggest an exemption limit suitable for India as a whole or even for a particular province. It might in fact be desirable for each province to set its own exemption limit to suit its own conditions just as it might be desirable to have provincial rates. It has been indicated in Mr. Birley's note that estates under Rs 10,000 value in Bengal yield at present very little by way of duty. At present estates of the value of Rs. 2,000 net are exempt from duty but in some cases probate has to be taken. In some cases where [illegible] the Administrator-[illegible]yment of graduated [illegible] the Administrator-[illegible]lue, (excluding Sar-[illegible] fee for such cases: [illegible]5,000 gross value;

(iii) to graduate the rate of duty applicable thereafter—the rate of duty being leviable on the net value

As experience was gained, it might be found possible to raise the limit (say to Rs. 10,000) on which merely a nominal charge is made.

Mr. Liddell, gave oral evidence as follows:—

The President. Q—You have given us two notes, one on stamp duties and the other on succession duties You regard the main principle governing the rates of the former as imposing what the traffic can bear.

A—I see no reason why that should not be the principle

Sir Percy Thompson Q—I think your main criticism of the stamp duties, so far at any rate as the rates in India are concerned, is that they are quite illogical.

A—There is want of method and want of principle Some of the duties are quite illogical It seems to be possible to achieve the same result by executing documents paying different rates of stamp duty. You can do it by transfer or by drawing up a settlement deed at ½ per cent. or a gift at 1 per cent. Government securities may simply be endorsed by transfer, instead of selling them in which case you would pay a stamp duty.

Q—Does that apply to anything else, other than Government securities? In England it is quite intentional, there is no stamp duty levied on the transfer of Government securities.

A.—According to the Stamp Act, a duty would have to be paid on the transfer deed, whether the transfer was with or without consideration.

Q—Why should you not have the stamp duty on a gift as on a sale?

A.—If you are achieving the same purpose by effecting a settlement, why should you get off cheaper by settlement?

Q—You are not, because when you effect a settlement, you are only giving a limited interest.

A—The limited interest may not be so different

Q—The usual thing in the case of settlement is the life interest, which is surely somewhat different I understand your criticism is that ½ per cent is charged on the value of the property although the whole value of the property does not go to one person

A.—In certain cases of interest that may be equitable.

Q.—You say that a gift pays 1 per cent, a settlement pays ½ per cent: transfer by delivery pays nothing. What cases of transfers by delivery do you refer to?

A.—I refer to ordinary goods.

Q.—In the case of a share certificate you do not charge any duty on the [illegible] r of [illegible] the [illegible] It [illegible] d a [illegible] ther [illegible] itioc of the stamp duties?

A—As a matter of fact, in the stock exchange here they altered the procedure in some way or other on the ground that the duty on these transfers was only payable when the transaction was concluded.

Q.—That seems to be a weakness in your stock exchange practice.

A.—This question came up to me for opinion. According to the definition in the Stamp Act, the duty is leviable on execution and execution is mere signing and nothing else, it is not 'completion of the transaction' at all.

Where it is signed by the seller, even in the form of a blank transfer, the execution seems under the Act to be complete and duty leviable at this stage.

Q.—The trouble is that there may be dozens of transferees

A.—I spoke to one of the bankers here and told him that I should like to see a test prosecution He told me that he could show me hundreds signed even by High Court Judges He himself considered that Government lost lakhs of rupees by these blank transfers

Q.—Have you ever considered the possibility of enacting a law that a transfer must be registered with the company within a certain time?

A.—I find that it was discussed in India in 1899 I think it was discussed when the Stamp Act of 1899 was being passed The shares went through countless hands and eventually one duty was levied when the transfer was registered in the hands of the company Legislation to remedy this was deemed to be outside the scope of a Stamp Act

Q.—I think it very possible is the case But if it is a desirable provision, it might be incorporated in the Stamp Act

A.—If you buy shares simply on a blank transfer and send it to a bank, the bank will *apply for it to be registered forthwith even without express instructions* some banks are prepared to do this, others are not

Q.—Do you think that the remedy suggested in 1899 would be effective? How about the case where the transfer was not dated by the transferor and the date merely put in some years afterwards when the last transferee wanted to register?

A.—It would probably be difficult to bring it home probably. I do not quite see how to tackle it from the point of actual practice. I feel that there is a tremendous leakage of money that ought to be got hold of, if possible.

Q.—Can you refer us to any file or anything on which this question was discussed?

The President *Q.*—Mr Marr promised us some notes yesterday.

A.—I think that file may have come to me from the Finance Department. I do not think I will have anything in my office, but I know exactly what I want and I will look up the papers.

Sir Percy Thompson *Q.*—I think it would be useful to see how far the question of a remedy has been discussed

A.—There might be something in the proceedings preliminary to the Act of 1899; reference would be found in the introduction to Donogh's Stamp Law.*

The President. *Q.*—It has been suggested to us that dividends should only be paid to the registered holder and that there is a ruling in Bombay that a registered shareholder is a trustee for the actual holder of the share.

A.—If he can shift the responsibility on to somebody else, it is all right.

Q.—Would legislation to that effect help?

A.—Some people, I am afraid, go in for these transfers simply as a means of dodging income-tax. If they are dealing with them along that line, nothing will stop them.

Sir Percy Thompson. *Q.*—That would only enable them to escape supertax

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* I was asked about the reference in the Stamp Act. It is Section 55. On

A.—I do not know exactly how it is worked out in practice where the scrip is running round the market. I have no practical experience of that.

The President. *Q.*—They would merely show it as a capital transaction in the accounts

A.—Yes, but the dividends would have to be paid to somebody eventually.

Sir Percy Thompson. *Q.*—So far as the State is concerned, the State gets its income-tax. The man dodges super-tax all right.

A.—When the tax is leviable from the company, he will not dodge the income-tax.

Q.—Supposing you had a provision that the company would only pay to the registered holder, does that help this difficulty at all? Supposing it pays to the registered holder, legally the registered holder is merely a trustee and under the present practice the registered holder is receiving it.

A.—It is a difficult thing There may be something in the earlier discussions, I should like to look into them.

Q.—You say that the levy of duty on 'the value as set forth in the instrument' tends to benefit the dishonest. What do you mean by that?

A.—It is practically an incitement to undervaluation.

Q.—If it is a sale?

A.—On a conveyance it may be all right, though in Bengal all things are possible

Q.—Haven't you got a penalty for inserting a wrong consideration in a sale deed?

A.—That does not seem to be there, but it might be quite possible to detect cases of undervaluation, for instance when the same property comes up soon after in connection with probate where there is an actual valuation.

Q.—I am rather thinking of sales. Haven't you got a penalty for not inserting the true valuation?

A.—There may be, but I doubt whether we have the means really to enforce it We have not got the staff to watch it.

Q.—Would you prosecute in a case where it did come to light?

A.—It really comes to a practical difficulty just as in the case, for instance, of perjury. If you start prosecuting every case of perjury, you will have to have special courts. You have to pick on a particularly bad case.

Q.—In England we have exactly the same provision In cases of wrong consideration, the company first of all gives information, because the company itself does not like its shares being sold at a low price. Would not that be the case here?

A.—I have only heard of one instance of that sort. So far as I remember it was the Pench Valley Coal Company. In that case there had been no transaction for some time and the shares, so far as I remember, had gone down from 35 to about 25. Then the Company woke up and moved in the matter but found men willing to sell their shares at 25.

Q.—Probably it was the real consideration.

A.—Apparently that was, but that is the only instance I have heard of a company waking up to take action.

Q.—In the case of a gift, where the duty is on the value of the property, are not steps taken to have the valuation of the property tested?

A.—I have never known that.

Q.—Don't you think it is worth while to do so?

A.—The different branches of the offices would have to be brought a great deal closer together; at present they are more or less water-tight. As a matter of fact, the Collector is the District Registrar. If he got information of the registration in the Registration Office and got to work at once, he might be able to do something.

Q.—If there is really a large leakage of duty, is not it worthwhile to make registration compulsory?

A.—I should like to see some searches made in the Registration Offices and get some figures to see whether it is worth while, because one is merely suspicious and one thinks of the possibilities of exaggeration.

Q.—Does the whole duty amount to anything substantial?

A.—You would have to get that from the Registration Department.

Q.—Don't you keep the yields from the various heads?

A.—We may, on the revenue side.

Q.—Do you know the amount of duty you get out of agreements?

A.—I could not tell you.

Q.—Do you know when a particular duty is raised whether the yield is increasing or not?

A.—They know it in the Financial Department.

Q.—How will they know?

A.—I have never seen their registers, but I presume that they can get particular yields from the Registration Offices.

Q.—You suggest the imposition of stamp duties on transfer of property. Take for example a duty on cheques. The amount of duty you could charge on cheques is limited by the cost of making the remittance in other ways.

A.—One might send by insurance or registered letter or money order. Still I think that there is something gained in addition, *i.e.*, a sort of security. You have the counterfoil in your possession.

Q.—There is a limit to the amount you would pay for that.

A.—If you sign a cheque for £1,000, it might be worth a great deal more than the 6*d.* stamp you might put on it.

Q.—As long as you can have your cheques stamped to a uniform duty, it is convenient to you; but if you have to go to the Post Office and buy a 6*d.* or 10*d.* stamp, it would put you to a great deal of inconvenience.

A.—Yes.

Q.—Take another analogy: the receipt stamp duty which you have suggested might be graduated. In 18*0 it was graduated in England and it was repealed purely and simply for the reason that the amount of revenue derived from it was far less than it would be under the flat rate of duty. By having a graduated receipt stamp duty, the revenue was losing money.

A.—The leakage ought to be found out.

Q.—There is no leakage; the duty is only payable where a receipt is demanded, but if both sides agree, no receipts would be given.

A.—You may make the grant of a receipt compulsory by legislation.

Q.—That would be all right when a person demands it; but if two sides agree that no receipts need be given, what would happen?

[illegible] honest. What occurred [illegible] nent tax here, there is [illegible] re never is any propor- [illegible] francs, the price of the [illegible] across the perforation [illegible] u buy your ticket you pay 3 30.

Q.—That is the business of the theatre; but we do not keep stamps in different denominations.

A.—One keeps one anna stamps and [illegible] ps for home letters and [illegible] keep a special form of [illegible] to keep receipt stamps

Q.—That was why it was probably abolished.

A.—You usually keep three stamps now, the half anna, the one anna and the two anna stamps. There is not much difficulty after all.

Q.—With regard to court-fees, you have possibly misunderstood the questionnaire. I do not think it is intended to convey that you should adjust your court-fees actually in each individual case to the amount of work done, but you should so regulate your court-fees that in the long run the total of the court-fees just about pays the cost of the courts.

A.—It is a difficult thing; how long is the run going to be?

Q.—You can aim at a sort of *principle that the total of the court-fees* should roughly correspond to the cost of the services rendered.

... rs, then ... al, why ... I am ... o Court and sue.

Q.—If you are not going to appeal, you won't pay any appellate court-fees If you go to a court on a case which is appealable, then you will have to pay further fees.

A.—But if it is coming up to appeal, it may want another fee. If it comes up on reference, you will get the advantage of the appellate court. In a revision court you will pay a cheaper fee than you would on the appellate side.

Q.—I do not think it is possible to apportion it exactly to the services rendered or to the amount of the expenses involved.

A.—It is impossible.

Q.—On general principle, would you agree that your court-fees should be designed on a basis which will pay for the cost of justice?

A.—*It sounds like the poor old Magna Charta phrase, " to no man will we* sell justice."

Q.—Are you going to make profits out of court-fees?

A.—In some cases, I should have no hesitation

Dr. Paranjpye. *Q.*—You are apparently going to pay what you get out of court-fees for the cost of education, etc.?

A.—You can argue it that way.

The President. *Q.*—To come back for a moment to the blank transfer question, if you were to legislate to the effect that dividends must be paid *only to registered holders, in what Act would you insert that provision?*

A.—The Companies' Act.

... the Registration Office to ... are evaded. Would you ... extent to which the insti-

A.—There is no doubt that the valuation for civil court purposes calls for a tonic as well, because many of these valuations are very vague.

Q.—Is there any reliable machinery existing to secure that the right insti*tution fee is paid?*

A.—There is no machinery. You generally find that the third ground taken in a written statement is that the suit is undervalued and so on. Otherwise there is nothing.

Q.—Is it not quite possible that the two parties may agree to fight it out as a suit for injunction or in a some cheaper way. You cannot always depend on the other side to fight on the ground of undervaluation, because they may be appellants in the next court.

A.—It is more or less a stock ground in a written statement.

Q.—*But does the court interest itself in it?*

A.—No. It simply says, 'this issue is not pressed.' If it is pressed, of course, it is taken up first, the decision is come to and the extra court-fees are called for.

Q.—Do you think it possible to have some sort of Government advocate to see that the Government is getting its due?

A.—There is already one ministerial officer there—the Sheristadar. He is supposed to check the plaints with regard to the court-fees that are paid and I have known of very efficient Sheristadars.

Q.—Would it be practicable to have his work subject to scrutiny by a Government Auditor to ensure that no revenue escapes payment?

A.—I doubt whether it would be worth it. If the Sheristadar objects to the valuation the Judge calls the pleader concerned and decides the question and that practically becomes final.

Q.—Do you think there is any objection to an audit from the Government point of view?

A.—This class of auditors are difficult to find, because you will have to get persons with legal training.

Q.—Do you think there is any objection to that?

[illegible]

it [illegible]

ca [illegible]

straight away and with his legal training he will be able to do it.

Q.—Are you not making an assumption that every B.L. is doing his duty?

A.—Some are and others may not be. If the B.L. is working under a Judge and with his service book lying on the Judge's table, he would probably do his duty. Otherwise he will give place to better men who do their duty.

Q.—You cannot always assume that the Judge is full of zeal for the Government revenues.

A.—Some would probably be. That is not his function. The position is, of course, curious because in order to get the proper valuation the judge may have to give a judicial opinion as to the class of suit. But I think so far as the stamp collection and revenue collection are concerned, it is not the duty of the Judge at all.

Q.—It might be worthwhile to have a Government officer charged with this function.

A.—Of course, one or two persons might perfectly be well appointed, who might pay for their cost a thousand times over.

Q.—Just like the Chief Auditor of Customs?

A.—Exactly.

Q.—There is no objection to that?

A.—No objection.

Q.—When you say that the 'stamp duties are a form of automatic taxation applied by people to their own transactions, the law requires therefore to be fully and clearly stated since it is the people themselves who interpret it', have you any idea how you would proceed to state it more clearly?

A.—So far as I remember these words are from a judicial dictum. I forget what case it was. I had not very much to do with the Stamp Act but when I was looking into and working it I found that when it referred to a Bill of Exchange, it included many other documents which really were not so and the definition was not identical with that of the English Bill of Exchange from which we had taken the word.

Q.—Probably the difficulty has become greater since the Act was passed.

A.—Quite.

Q.—It may be brought up to date.

A.—I am sure there is a Bill now in circulation. There was a Bill in circulation not long ago in which the opinions of all the banks and some commercial houses were taken in Calcutta. It is a Government of India Bill.

Q.—Would it be desirable that provinces should make their own definition for 'Bills of Exchange,' etc., which have different meanings in different provinces?

A.—Unless you get them into an Imperial Act, it simply leaves an opening for difficulties.

Q.—Has not the provincialisation of general stamps led to a considerable number of anomalies?

A.—Undoubtedly it has.

Q.—Would you favour a return to an all-India Act?

A.—I think it would be difficult to bring into an all-India Act all the documents which you find in some obscure corner of the bazar in Bengal. It is extremely difficult. But until you have it done and can say whether a particular document comes within a certain head, it is very difficult for the people to know where they are.

Q.—Are there not a good many instances of documents which may or may not come into the definition, which will be taxed in some provinces and not taxed in other provinces?

A.—It is now some years since I had to deal with this subject. But I do remember many years ago, curious applications coming in on a one anna stamp Even though it was really a criminal petition, the tendency was to camouflage it and put it in with a one anna stamp under the head of miscellaneous application or something like that.

Q.—Have you any experience of the distinction between a Vakil's *vakalatnama* and memorandum of appearance?

A.—No. That question came up in connection with the Bar Committee. They discussed that question and I do not think that the Government of India have passed any orders on that.

Q.—*Are there documents included in the Court Fees Act that really should* come under the Stamp Act? For instance, the stamp on a bill of entry?

A.—Yes.

Q Have you any experience of the working of section 19(*e*)—that is, the penalty for undervaluation otherwise than by mistake?

A.—No I have not heard of any instance of that.

Q.—If a party gave a very low valuation and the Collector puts a higher amount and the court held that the Collector was correct, would you take it as an undervaluation otherwise than by mistake?

A.—It would depend upon the facts of the case.

Q.—You say you would cancel exemptions on renewals of insurances?

A.—Yes. There is a difference apparently between the practice in Bombay and the practice in Calcutta. I think it is in Bombay that most of the insurance seems to be done by brokers who do not renew but effect new policies in a way that is benefiting their own pockets and the pockets of their clients and the result is that instead of having renewals they have a new policy because there may be a small saving in the premium. Bombay, so far as I remember, made some representation at an early stage of the Stamp Law with regard to this. Whereas in Calcutta, the practice seems to be entirely different; I do not see any reason why the renewal of an insurance policy should not be treated in the same manner as the original policy.

Q.—The present stamp duty has no relation to the number of years for which the insurance is taken out?

A.—No

Q.—Can you tell us where we can get an up-to-date index for these various cases relating to individual items of the schedule? We want to get down to details item by item.

A.—I am not sure there is any up-to-date book on it It is the Sheristadar that generally looks into these cases and disposes of them. If there is any dispute, the case is referred to the Judge.

Q.—Would you put the court-fees at the same rates in all the provinces?

A.—There is a very strong temptation to stiffen up certain classes of fees in certain provinces. We have now in Bengal 3,30,000 rent suits all going to be filed practically together next month.

The Hon'ble Sardar Jogendra Singh. Q.—Does it mean that the landlords are not collecting the rents easily?

A.—That is it.

Q.—What is the percentage of suits filed which are contested?

A.—I cannot say. Of the 3,30,000 suits, 3,00,000 are going to be uncontested and on the average, from long experience, one can say that 10 to 11 or probably more are going to succeed. If these cases are going to be fought deliberately, for whatever reason it may be—whether it is for sport or amusement or for anything else—the court-fees payable by the losing party should be very heavy indeed.

Q.—Will not these suits be tried in batches? That is, you may have some 600 or 700 suits on one and the same issue and the judgment will only be [illegible] one suit.

A.—Yes, there may be hundreds of analogous cases and in addition to that they are not going to be contested, but in each evidence will be taken.

Q.—Is the stamp duty properly collected on these?

A.—Probably that is managed fairly satisfactorily by the office. After the suits have been disposed of they will go to the record room where they are again examined.

Q.—Do you frequently find that stamps are removed and used again?

A.—I have seen instances where stamps have been removed but whether it was dishonestly done or not, it is extraordinarily difficult to say.

The President. Q.—Is the payment for copying taken in the shape of stamps at so much per 100 words?

A.—Four annas a folio.

Q.—You keep a *pro forma* account?

A.—Yes.

Q.—Does it pay?

A.—It makes a profit. At present the discussion is whether we should not increase the pay of copyists and typists. When we put up the stamp fee they wanted more money for their work. They are paid according to piece work. The comparing clerk is taken on a certain scale on the fees that are realised. The comparing clerk is not taken into the establishment until the surplus of the fees realised fully secure his pay.

Q.—You have suit notices against Government.

A.—I do not know how many a day, sometimes.

Q.—Do they eventuate in suits?

A.—The bulk of them probably do.

Q.—Would you propose that suit notices should bear the court-fees necessary for the suit which will be refunded if the suit is barred?

A.—In many ways it could easily be done; because there is generally a copy of the plaint filed along with the notice.

Q.—Would it be a hardship?

A.—It is quite possible it might be.

Dr. Paranjpye. Q.—Is it not a fact that ordinary applications to Government are not taken notice of? But when it is a notice of suit, action is taken.

A.—I think that would be a most unjust accusation.

Q.—The complaint is that people don't get orders on ordinary applications. But if notice is given Government gets afraid and the officers get afraid.

A.—In some cases one has to treat them lightly because we get so many extraordinary requests.

Q.—The Civil Justice Committee made a recommendation about the adoption of a standard form for estimating the court-fee.

A.—I have started looking into their report and I hope to finish it in the course of a month.

Q.—Taking it that they have made a recommendation what are the items you would include in the account? It is mentioned that civil work goes into criminal account.

A.—I would prefer to look at both civil and criminal as a whole. Where they are performing a similar function of meting out justice I do not see any reason why the civil courts should not bear some share of the cost of the criminal courts.

Q.—How are you to draw the line?

A.—That is, I should think, humanly impossible except arbitrarily.

Q.—Do the village courts relieve the civil courts?

A.—Very considerably.

Q.—Do you debit any charge in the matter of court-fees?

A.—They pay their own way. The court-fees in the village courts here are paid into the union fund.

Q.—They have court-fees?

A.—They have and the expenses are assessed at the time of the passing of the decree and that is paid to the union fund

Q.—In cash?

A.—Yes.

Q.—Have those courts any exclusive jurisdiction?

A.—If both parties reside in the village and the cause of action arises in the jurisdiction then they may sue in the union court. If the valuation is under Rs. 25 then on the request of the defendant the case may be sent to the ordinary Munsif's court. If it is over, on the request of the defendant it must be sent to the Munsif's court. It is not exclusive jurisdiction.

Q.—Can a Munsif transfer a suit to the village court?

A.—No. It is the other way. It is at their option to start in the union court.

Sir Percy Thompson. *Q.*—Could you give us the reference about the renewal of debentures in the Stamp Act?

A.—It is section 59 of the Stamp Act.

The Maharajadhiraja Bahadur of Burdwan.—*Q.*—You told us that you were about to write your report of the Bengal Death Duties Committee.

A.—*There is nothing definite in it unfortunately.*

Q.—Could you kindly indicate to us as to what has been the general finding of your Committee? For instance, on the question of the first principles do they accept succession duty?

A.—It came to us as a result of the discussion in the Council in 1922 about the increasing of the financial resources and the possibility of death duties and estate duties. This Committee was appointed really to explore the question and see, if it be decided to levy an estate duty, in what way it could best be done. There was a difference of opinion in the Committee as to whether we should at all express ourselves on the *pros* and *cons* of estate duty. There was a distinct cleavage of opinion on various grounds. Some said that death duties were unduly harsh. One said that the proposal was a breach of the permanent settlement: others said that though it seemed to be perfectly equitable it was not politically convenient. There was a distinct cleavage of opinion along these lines.

Q.—What we should like to know is about two things that were brought to our notice by a Bengal witness. The first is as to whether if an estate-

duty or a succession duty was levied it should consolidate all the duties that are now levied such as probate, succession and so forth. The second point is that if death duty were to be levied, up to what percentage should the maximum be fixed We want an idea on both these points. I should like to know if in your committee you have come to any general conclusion, especially as Mr Kinney and Mr Butler have noted upon this question. Apart from the question as to whether it would infringe the permanent settlement in Bengal did you consider these two points?

A—Except as to the maximum we considered the rest. We had before us a Bill drafted on the lines of the Finance Act at Home The line that the Committee took was really to examine that Act and see whether it was appropriate for Bengal We found it was infinitely too complicated and thought that the most convenient way to tackle it in Bengal was to take it along the lines of which we already had experience in probate, administration and succession So it would practically replace these and it was generally conceded to give very much larger concessions in the lower scale and stiffen up it in the higher scale

Q—Regarding the stiffening of the higher scale, I take it you did not come to any decision as to the percentage As you have had experience in the selling of estates and the handing over of the same in succession, can you tell us so far as the landed properties are concerned—supposing for the sake of argument we did decide upon a death duty—the maximum that would be payable in a province like Bengal where land is concerned? Where securities are concerned it would be different

A—It is extremely difficult to say. We will have to get at the net value of the estate and make allowance for all encumbrances. I have no practical experience The net income of a zamindari in Bengal is practically unknown to me I should certainly think that it is by no means so big as it has been represented to be. I would like to see the net income before I could fix any maximum.

Q—On an average in Bengal from land do you think that 10 or 15 per cent. would be a fair percentage?

A.—It would depend on how you are going to exact payment.

Q.—So far as land is concerned, you would agree that we will have to have instalments.

A—Certainly, a 10 per cent duty on an estate of a fairly big size might mean a great deal more cash than a zamindar would ever have and it may be that the demand might come at a very bad time when the rents are not forthcoming.

Q.—As regards the proposal of Mr. Kinney of making them all into one duty or lumping them together, are you personally in favour of that?

A.—Even now there is only some glimmering of the meaning of probate duty and succession duty. If you add another name and another duty there is nothing to be gained

Q—In your Committee was this question discussed? Your Committee simply came to a cleavage on a question of principle?

A.—We went into it assuming that a death duty will be levied. We discussed as to how it should be levied and what should be levied. The general result was that there ought to be a duty, call it anything you like, on the analogy of probate on whatever property a person was capable of disposing at the time of his death, including in that a share of a joint Hindu family.

Q—Supposing there were three brothers. The elder brother dies and the death duty was charged. Five years later the second brother died and five years later the third brother died Did you consider that the duty should be on the whole estate each time?

A—The suggestion of levying duty on the whole at the time of the death of each one seemed to me to be grossly unfair. We seem only concerned with the property or the amount by which others are benefited.

A.—In some cases one has to treat them lightly because we get so many extraordinary requests.

Q.—*The Civil Justice Committee* made a recommendation about the adoption of a standard form for estimating the court-fee.

A—I have started looking into their report and I hope to finish it in the course of a month

Q—Taking it that they have made a recommendation what are the items you would include in the account? It is mentioned that civil work goes into criminal account

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A.—Yes

Q.—Have those courts any exclusive jurisdiction?

A.—If both parties reside in the village and the cause of action arises in the jurisdiction then they may sue in the union court. If the valuation is under Rs 25 then on the request of the defendant the case may be sent to the ordinary Munsif's court. If it is over, on the request of the defendant it must be sent to the Munsif's court. It is not exclusive jurisdiction.

Q.—Can a Munsif transfer a suit to the village court?

A—No It is the other way. It is at their option to start in the union court.

Sir Percy Thompson *Q.*—Could you give us the reference about the renewal of debentures in the Stamp Act?

A—It is section 59 of the Stamp Act.

The Maharajadhiraja Bahadur of Burdwan.—*Q*—You told us that you were about to write your report of the Bengal Death Duties Committee.

A—There is nothing definite in it unfortunately.

Q—Could you kindly indicate to us as to what has been the general finding of your Committee? For instance, on the question of the first principles do they accept succession duty?

A.—It came to us as a result of the discussion in the Council in 1922 about the increasing of the financial resources and the possibility of death duties and estate duties. This Committee was appointed really to explore the question and see, if it be decided to levy an estate duty, in what way it could best be done. There was a difference of opinion in the Committee as to whether we should at all express ourselves on the *pros* and *cons* of estate duty. There was a distinct cleavage of opinion on various grounds. Some said that death duties were unduly harsh. One said that the proposal was a breach of the permanent settlement: others said that though it seemed to be perfectly equitable it was not politically convenient. There was a distinct cleavage of opinion along these lines.

Q—What we should like to know is about two things that were brought to our notice by a Bengal witness. The first is as to whether if an estate

duty or a succession duty was levied it should consolidate all the duties that are now levied such as probate, succession and so forth. The second point is that if death duty were to be levied, up to what percentage should the maximum be fixed We want an idea on both these points. I should like to know if in your committee you have come to any general conclusion, especially as Mr Kinney and Mr Birley have noted upon this question. Apart from the question as to whether it would infringe the permanent settlement in Bengal, did you consider these two points?

A—Except as to the maximum we considered the rest. We had before us a Bill drafted on the lines of the Finance Act at Home. The line that the Committee took was really to examine that Act and see whether it was appropriate for Bengal We found it was infinitely too complicated and thought that the most convenient way to tackle it in Bengal was to take it along the lines of which we already had experience in probate, administration and succession So it would practically replace these and it was generally conceded to give very much larger concessions in the lower scale and stiffen up it in the higher scale

Q—Regarding the stiffening of the higher scale, I take it you did not come to any decision as to the percentage As you have had experience in the selling of estates and the handing over of the same in succession, can you tell us so far as the landed properties are concerned—supposing for the sake of argument we did decide upon a death duty—the maximum that would be payable in a province like Bengal where land is concerned? Where securities are concerned it would be different

A—It is extremely difficult to say. We will have to get at the net value of the estate and make allowance for all encumbrances. I have no practical experience The net income of a zamindari in Bengal is practically unknown to me I should certainly think that it is by no means so big as it has been represented to be. I would like to see the net income before I could fix any maximum.

Q—On an average in Bengal from land do you think that 10 or 15 per cent would be a fair percentage?

A—It would depend on how you are going to exact payment

Q.—So far as land is concerned, you would agree that we will have to have instalments

A—Certainly, a 10 per cent duty on an estate of a fairly big size might mean a great deal more cash than a zamindar would ever have and it may be that the demand might come at a very bad time when the rents are not forthcoming.

Q—As regards the proposal of Mr. Kinney of making them all into one duty or lumping them together, are you personally in favour of that?

A—Even now there is only some glimmering of the meaning of probate duty and succession duty. If you add another name and another duty there is nothing to be gained.

Q—In your Committee was this question discussed? Your Committee simply came to a cleavage on a question of principle?

A.—We went into it assuming that a death duty will be levied. We discussed as to how it should be levied and what should be levied. The general result was that there ought to be a duty, call it anything you like, on the analogy of probate on whatever property a person was capable of disposing at the time of his death, including in that a share of a joint Hindu family.

Q—Supposing there were three brothers The elder brother dies and the death duty was charged. Five years later the second brother died and five years later the third brother died. Did you consider that the duty should be on the whole estate each time?

A.—The suggestion of levying duty on the whole at the time of the death of each one seemed to me to be grossly unfair We seem only concerned with the property or the amount by which others are benefited.

Q.—Supposing a baby dies after six months. Did you consider such a case?

A.—It is going to be extremely difficult to locate it, though on the death of that baby a bigger estate may pass than on the death of the grand uncle

Q—Do you think it will be possible for you to send us a copy of the report as soon as it is ready.

A.—I will be delighted to send it to you.

Dr Paranjpye *Q.*—You know in England after the Finance Bill of 1894 death duties were levied in two parts; one the estate duty and the other legacy or succession duty.

A—Yes

Q—In 1894 when Sir William Harcourt introduced these duties there was a great deal of opposition to them.

A.—Quite.

Q—Practically all the objections that are at present raised were raised at that time also?

A.—Yes

Q.—Experience has not justified those objections?

A.—No

Q—The Conservative party at that time stoutly opposed the imposition of these duties But when they themselves came to power they did not remove them but they became a sheet anchor of their finance.

A.—Yes.

Q—Those objections that are now being raised in India and will be raised henceforward were raised at that time and were found to be not valid.

A—I can recognise the existence of some conditions in India that were not present in England.

Q—At any rate these objections were raised at that time and probably will be raised in future with some slight difference

A—Yes, chiefly as to the ruining of the family after the death of the earning member and that the tax would be a tax on accumulations and things of that kind

Dr. Hyder. *Q*—All the same, do you think the force of these objections still persists?

A.—Not in the case of Englishmen.

Dr. Paranjpye. *Q*—All their anticipations have not come true?

A.—No

The Hon'ble Sardar Jogendra Singh *Q.*—As the death duties have not been introduced here you cannot say anything for certain.

A.—Probate has been working.

Dr. Paranjpye. *Q.*—You know death duties are raised in all countries?

A.—Analogous duties are raised in all countries.

Q.—Even in Japan they are raised. The object of this Committee is not to [illegible] the Council may feel the neces- [illegible] find out new resources. We [illegible] itical questions. The actual [illegible] will be in the hands of the [illegible]

A.—Yes.

Q.—There are two kinds of death duties—the estate duty and legacy duty. Do you agree that the fundamental basis of the estate duty is that on account of the existence of the State the man has been able peacefully to accumulate such an estate?

A—That is the ground on which I would justify it.

Q.—The justification for charging the estate duty is first of all the duty is charged on the whole corpus of the estate provided of course it is above a certain minimum, and the scale goes up to 10 or 12 per cent. in the case of very large estates, and I think it is 40 per cent in the case of estates over 2 millions. The minimum in England is £100 I think, and all estates over £100 are charged death duties gradually rising to over 10 per cent. These are justified on the ground that the expenses of the State for allowing the people to inherit their property should be met. But you suggest that the estate duties should be charged and legacy duties should not be charged.

A.—Even now I cannot say that I am favourably impressed with the legacy duties.

Q.—Don't you think, however, that there is essential difference between the succession by a son or succession by a second cousin?

A.—There is some difference, I admit.

Q.—Then the man ordinarily accumulates property in order that the persons in whom he is really interested should be benefited?

A.—That is the point I have tried to solve. Some degree of relationship must be defined so as to be able to graduate the tax.

Q.—Ordinarily you would agree that there are different degrees of interest taken by individuals in the person who is benefited?

A.—Undoubtedly there is. If a man has children he will have more incentive to provide something for the benefit of his children than a man who has no children.

Q.—Therefore ordinarily while the children can reasonably expect a certain amount of provision from their father, there is no justification according to the modern ideas that a distant relation should benefit to a very large extent from a relation in whom he was not interested at all. In this case it is certainly a greater windfall than to the children and the modern idea of taxation is to tax such windfalls because they are not earned and because they can be paid without interfering with any reasonable anticipations or expectations.

A.—But I say in the case, for instance, of a legacy coming under some will, it may not be so much of a windfall as it may appear to be at first sight. The man may leave hundreds or thousands of pounds to a person who may have rendered some benefit unknown to any one save the donor.

Q.—At any rate you would agree that a higher duty should be paid by a distant relative than by children?

A.—Well, on broad principles, it would be quite justifiable in intestacy.

Q.—And this differentiation cannot be made if you were only to levy the estate duties?

A.—No. You could not make that difference.

Q.—According to your scheme all will have to be treated as the same. It cannot be given effect to unless you put both on the same level.

A.—I would go extremely slow in that case.

Q.—At any rate, you would agree that at least in principle both these duties are justified.

A.—Yes, both may be so justified.

[illegible]

A.—Well, Sir, one can argue the case in both ways.

[illegible] the case. In reply to [illegible] ere talking about large [illegible] tell me how far these [illegible] in Bengal have bene-

fited the industries and such other objects for which large accumulation of capital is required?

A.—That, again, is a very difficult and general question to answer.

The Hon'ble Sardar Jogendra Singh. Q—How much do they help towards the stability of the State?

A.—That also is very difficult to answer.

Dr. Hyder. Q.—What Dr Paranjpye means is capital devoted to industry. I am not quite sure if you would admit this principle. When the landlord makes much rent out of his lands and uses it for buying up more estates, surely, he is using that rent for increasing that capital. I ask you whether the landlords in Bengal in buying up more estates, have been treating their surpluses as capital or not?

A—Looking round Bengal I can point out several who seem to have put their capital into furthering their estates.

Q.—Now I am going to ask you whether the zamindars are using their surpluses for productive purposes?

A—Some of them are.

The Hon'ble Sardar Jogendra Singh. Q—They also contribute a lot towards the revenue by means of customs, etc ?

A.—I cannot say that as it is purely a domestic subject.

Dr. Paranjpye. Q.—Is it to the great interest of the country that one landlord should buy up lands from another landlord and pay him the value of the land? So far as stability is concerned, is it of any great interest to the land that land should simply change hands from one big landlord to another? Does it not tend to the small landholders giving up their land to the big landlords?

A.—Generally the tendency is to take away the lands from the small holders.

Q.—Is it very useful to the country?

A.—I cannot say that

Q—Don't you admit that where capital is really required is for the development of industries and other objects of that sort?

A Yes

Q—Now I ask you whether the capital of the landlords is really used for this purpose?

A—I could not definitely reply to this I cannot give you a bird's-eye-view of what takes place in Bengal. But I have seen some zamindars who have been using their money in the most unusual way. I know a Maharaja started a motor engineering shed so that his tenants may come and learn. On the whole, taking all the points into consideration, I could not say that they spend their money in what I should consider the way most useful to the country.

Q.—Is it not a fact that a great many of them spend their money in a manner not conducive to the good of the country?

A.—I can say, at least great many of them could spend their money in a way more conducive to the interests of the country.

Dr. Hyder. Q—In their own interest they would see that it is better to buy more lands or to buy Government bonds It would be too much to ask them to put their money into propositions which they may not understand?

[illegible]

perform them.

Q—What are the duties which a modern landlord ought to perform?

A.—I have been backwards and forwards in various provinces in India during times of scarcity. I have seen villages in the Central Provinces, Bihar and Orissa and Bengal and I have always thought that if the landlord were to stay on the land then the general condition of the whole village would be a great deal better. Therefore, I say when one purchases lands, he is assuming a duty to others.

Q.—If a community entrusts to a particular individual the control of the main factor [illegible] then that individual has got a duty to use that factor [illegible] that community?

A.—From the point of view of health, sanitation, etc., it would be useful to thousands of people, whereas the man who purchases shares does not do anything at all.

Dr. Paranjpye. Q.—There is not much in this point. I ask you if there is any special advantage to the people in having the large estates in the hands of the big people, particularly to those to whom they come as windfalls. You would accept that generally it is not used on objects which would be profitable to the people?

A.—Yes, that is generally the case. But I see many of these landlords run into debt and have very little left for such objects.

Q.—Do you think there is any reason why the State should have any sympathy for the man who has got a property of 10 lakhs and still does not use it properly, not only does not spend it properly but runs into debt?

A.—I should leave the matter here. I could not say anything myself.

The President. Q.—The question is not whether it could be used, but generally whether it would be.

A.—The question is too big to dogmatize.

Dr. Hyder. Q.—It comes to this that you take money from the people who are rich and give it to those who are poor. The State may make the best use of it, those who have not got the means to provide themselves with education are being provided with the means to do so.

A.—Yes, at the expense of the richer men.

Dr. Paranjpye. Q.—In the case of legacy duties, you know that the State has a real interest in seeing to the existence of a proper family spirit, consideration for the family and so on, and therefore in the case of succession by sons or children, the State should deal much more leniently than in the case of other successions.

A.—It may be the duty of the State, but I do not see that it is in a position to do it. I have known cases of one brother suing another brother, because he had not contributed to the marriage expenses of their sister. I do not see how in such a case the State can bring about brotherly concord if it does not already exist.

Q.—Let us come to the case of the joint Hindu family. You know that at present Europeans, Parsees, Jews, etc., have to get probate and consequently on every succession they have to pay. On the other hand, Hindus or Muhammadans need not pay on succession. That means that certain communities are unfairly taxed, while certain other communities are let off scot-free.

A.—There is a certain inequality.

Q.—Therefore in any scheme of taxation all communities should be treated alike as far as possible.

A.—Yes.

[illegible]

the case of a Mitakshara family, a man enters into a certain amount of

property definitely as soon as he is born; so the property passes partially at birth and partially at death.

A.—Yes.

Q.—In the case of a Christian, for instance, he would inherit from his father only on his death. In the case of a Hindu governed by the Mitakshara law, a person would get half the property of his father when he is born and the remaining half when his father dies Consequently, property passes in two ways, partly at birth and partly at death. If, therefore, you have death duties only on the property that passes at death, you will be treating the Hindu community much more leniently than the other communities.

A—I rather think you would be taxing the property twice over, if you tax at every birth and again at every death.

Q.—At any rate you would not be taxing it as fully as you would be taxing the property of other communities

A—Probably not.

Q.—Have you any scheme by means of which all communities could be treated alike?

A—It is extremely difficult to devise such a scheme, because the conditions of the communities vary very much

Q.—W[illegible] fully to death duties on the death [illegible] that family? Supposing a father, [illegible] in a joint family, the property [illegible] while the father is living, no duty will be taken on the death of a son or grandson. If, on the other hand, the father is not living, but three brothers are living together with their sons, on the death of one of those brothers, I would charge only on one-third of the property.

A.—Then you will have to start from the moment when the original owner separated

Q.—No. If in that family there is one person of the highest generation, I would charge duty on the whole property. On the death of any one of the people of the highest generation, I would charge duty on the share he would get if he had claimed partition on death

A.—That is on the analogy of the conclusion we came to on our Committee

Q.—Do you think this would bring all the communities together on the same level?

A—Yes, in theory I should say that this would probably work out all right.

Q—The only difficulty is the present state of things. You cannot extinguish the rights of people at present existing You have therefore to find out what people are living on a certain date; those people are supposed to have the property which they can get at partition. Any person born after that date will have no rights unless he pays the probate duty. Do you think this proposal is fair?

A.—In theory, it is probably fair, but I anticipate that there would be a terrific outcry by folks who cannot realize what the future would be.

Q.—*Leaving aside the question of sentiment or practical technicalities,* I ask you whether this proposal would meet all reasonable difficulties arising out of different treatment of different communities.

A—I am inclined to think it should, including self-acquired property, so that that itself becomes ancestral property. Is this the meaning of the question about levying duties on the death of the *Karta*?

Q—The *Karta* is generally an important person only in Bengal. The scheme which I mentioned to you has been proposed by Mr. Wild of Bombay. It practically means treating Hindu families, so far as succession duties are concerned, on the same footing as families belonging to any other community.

The President. *Q*—What do you say to an alternative scheme of imposing a death duty on what passes without any graduation or reference to the degree of relationship? Among Europeans the property would pass to the eldest

son among Hindus, to the surviving member of the family. If you had a family of five and one of them died you will charge on one-fifth of the property.

A.—It is quite a feasible plan. I do not see any objection to it.

Q.—The objection, I believe, is that the joint Hindu family would pay a good deal less than the other communities.

A.—You will have that under any scheme, in theory it ought to work out perfectly equitably.

Dr. Paranjpye. *Q.*—In England as you know, gifts made within three years of death are regarded as if they are legacies. In India ordinary gifts would have to be considered in the same way, but under the Mitakshara law anybody can claim partition. In the case of any other community, it is quite possible for a father to hand over part of his estate to his son; consequently in the same way partition may be regarded as a gift and charged to death duties if that partition takes place within three years of the death of the member.

A.—I do not feel satisfied with these arbitrary limits of three years. Some time limit may be fixed.

Q.—Three years was the limit fixed in England. Aren't you going to charge gifts as legacies?

A.—No, we had a long discussion about it on the Committee and we thought there would be undue preference in many cases.

Q.—What about gifts made during the last illness of a person? You would have to have certain exceptions.

A.—We have a two year limit in the case of insolvencies; I think three year is rather too long.

The Maharajadhiraja Bahadur of Burdwan. *Q.*—In your Committee did you go into the question that death duty would be evaded if you did not put a stamp duty on settlements?

A.—After discussion, the decision arrived at was this: One member said: "I do not think we can possibly go on with this Bill, because if we frame the Bill on these lines it will be possible for us under our personal law so to make such a settlement or a trust that we can drive a coach and four through the whole of it," then we said we would have to deal with it in two ways: levy an estate duty and also have a duty under the Stamp Act and Court Fees Act so as to get the valuations of settlements at every settlement; otherwise there would be evasions.

Q.—What did the Committee say generally on that?

A.—They were prepared to do it.

The Hon'ble Sardar Jogendra Singh. *Q.*—As a practical administrator, if you were given the choice of raising revenue and needed that for certain purposes, would you consider death duties as an easy source of realizing revenue?

A.—It has never been my painful duty to insist on payment of revenue. Personally, I think that death duty is one of the most equitable forms of taxation one could possibly find.

Q.—Taking Indian society into consideration, would you consider it easy to levy death duties?

A.—It would depend on the machinery. The question is very big. If I had the means of knowledge which the Commissioner of Income-tax has and his powers of enquiry, I would certainly charge death duties.

Q.—You would have to take the economic conditions prevalent in India and compare them with those of England. You require a special study of the economic conditions to be made.

A.—I should not justify a tax for India on the ground that it would be justified in England or on the ground that it has been levied in England for

Q

a number of years, because as I said the local conditions are very different when one thinks of it. An Englishman dies, his funeral expenses have to be paid, he has full powers of testation When you take the Muhammadan, he has a limited testamentary power. The rest of his estate is earmarked for particular persons.

The President Q—You are assuming a case in which the money is assigned for a religious purpose.

A—Yes

The Hon'ble Sardar Jogendra Singh Q.—Did your Committee consider what income they would get if the exemption limit were Rs 25,000?

A—We had not the materials to do it

Q—Do you think you would get a very large income?

A—The only indication we had really was the note by Mr Birley

Dr Hyder Q.—I would like you to consider whether your answer to question No 138 is sound You say "A man has amassed certain wealth for which he had no need and which he did not give away he might have dissipated the whole of it no one before his death had any valid claim to any part of it: the State's claim arises at the moment of death before any one else gets the property and there seems no reason why the amount which the State claims should be affected by anything else than the amount left." I think some of these statements are not tenable You say that no one before his death had any valid claim to any part of it That conflicts with the personal law of certain communities, i e., Muhammadans

A—A sharer may be said to have a sort of moral claim, but only to two-thirds, because the father is entitled to will away from his heirs one-third of the estate, so that obviously the heir has no sort of right or claim. He may have a sort of moral claim to two-thirds of the rest of the father's estate, but it is only a moral claim

Q—The point I wish to make is this: If you put up the rates too much, we might have a tendency to discourage people from accumulating money.

A—The moment before his death, a father might will away the whole or a third of his estate, or some years before his death, he might have frittered away the whole of it No son can bring a suit against the father for injunction to prevent his spending any money, so that he has no sort of legal claim and at the moment of death, he would get something that he was not at law previously entitled to. I do not see that his presence or absence has anything to do with the estate duties

Dr. Paranjpye. Q.—In answer to question No 139 (3), you say that the Committee which considered the question in Bengal were agreed that the rates or scale should be provincial and open to alteration by the province In case of levy of death duties, in cases in which estates might be situated in different provinces, don't you think that location cannot always be determined and that it would be better to have the levy of death duties an all-India matter?

A.—My own personal opinion would be in the direction I have indicated.

Q—It does not matter how the actual revenue is divided. At any rate the administration should be Central as in the case of income-tax.

A.—Yes. When that was discussed in the Committee, the view that they seemed to take was this: under the Mitakshara law, you had an unascertained share and a share which was very difficult to ascertain and a share that was liable to escape observation. Whereas in the case of Dayabhaga law, the opportunities for evasion or non-observance were not so great. If the rate applicable to the *Mitakshara* law was made applicable to the Dayabhaga law also, the people of the *Dayabhaga* school of law would suffer in comparison with those under the *Mitakshara* school. On the scheme you put forward, there would probably be less inequality.

Q.—On the whole, you think that it should be made central if it is possible to do so

A.—The other point that was taken was that already under the Stamp Act and the Court Fees Act we have provincial differences.

Dr. Paranjpye. *Q*.—But the difficulty would even be much greater in the case of death duties when properties are situated in different provinces.

A.—It might be. But I say that brings you close up to the political question which may make it extremely difficult. If it is going to be a question of provincial autonomy and each is to balance its own budget then each province will take the line of least resistance to do it

The President. *Q*.—With regard to question No. 139, you would not propose that the death duties should be utilised to balance the budget?

A.—That takes you rather to the other extreme. I would not put it like that

Dr. Paranjpye. *Q*.—It should be a fairly stable tax?

A.—Yes

The President. *Q*.—With regard to the second proposition you say "This proposition is laid down with embarrassing vagueness of expression, such that I am unable to discuss it."

A.—I could not understand what that was going to lead to.

Q.—I should suggest that you cannot be sure of getting it. If one province will levy income-tax and the other does not, you might have the position of the income-tax assessees going and living in the other province for six months in the year.

A.—The person growing jute here cannot shift his fields to the Punjab

Q.—If you levy it on the basis of residence it does not matter where he resides

A.—I do not know whether there will be perfect agreement to that. Because as I look on Assam and Sylhet I seem to see a great many estates [illegible]

Q.—The sort of idea before us is that we should have an accountant and he should fix for a period the shares of the provinces.

A.—It is a very big job

[illegible]

[illegible]

A.—Once again you go to the fundamentals as to whether all the provinces find it necessary to raise taxation of that sort. If the tax is not necessary, I do not see any justification for raising it at all.

Q.—You say it is the fairest and the most equitable of all forms of taxation. Therefore if you begin remitting taxation, you do not begin by remitting the fairest and the most equitable.

A.—Undoubtedly so, but at the same time if it is going to be levied, the financial needs of some province may be greater than those of the other and the bad province might think that that was the tax that was going to be the most equitable.

1st April 1925.

CALCUTTA.

PRESENT:

Sir CHARLES TODHUNTER, K.C.S.I., I.C.S., *President*.

Sir BIJAY CHAND MAHTAB, G.C.I.E., K.C.S.I., I.O.M., Maharajadhiraja Bahadur of Burdwan.

Sir PERCY THOMPSON, K.B.E., C.B.

The Hon'ble Sardar JOGENDRA SINGH.

Dr. R. P. PARANJPYE.

Dr. L. K. HYDER, M.L.A.

Sir P. C. MITTER, Kt., C.I.E., M.L.C., Secretary, British Indian Association, Calcutta, was examined.

Written memorandum of Sir P. C. Mitter.

General observations.—The economic problems of India are different from those of Europe or even of agricultural countries like Canada, Argentina, Australia or the United States of America. Like some of these countries [illegible] but it does not possess extensive areas [illegible] The problem of some of these countries [illegible] the soil whereas the problem in many [illegible] for the population in densely peopled rural areas. India approximates countries like Canada, Argentina or Australia in the fact that they are mainly agricultural countries but fundamentally differs from these and other agricultural countries in as much as it largely consists of small holdings with dense population and also because for centuries past the Indian soil has supported an ancient people with the result that her soil has become considerably impoverished. Comparatively [illegible]

[illegible] development and the source of governmental authority are essentially different from any important country of the modern world. She is at the present

moment in a state of transition politically, economically and socially. In short the peculiarities of India can never be emphasised too strongly.

I am of opinion India has possibilities—perhaps great possibilities—for the development of her potential wealth agricultural, industrial and mineral, provided we proceed on right lines and with caution One of the most important sources of India's wealth is agriculture, which at the present moment is in a state of utter neglect A very large proportion of India's population eke out a miserable existence from agriculture The agriculturists are disorganised poor and ignorant Primitive methods of agriculture still obtain in most parts of India There are large areas, I speak more from my experience of Bengal than that of other provinces, which yield only one crop but with better organisation are capable of yielding more than one crop In view of its immensity and density of population, tropical climate and other reasons which it is unnecessary to elaborate, India is likely to continue more or less to be an agricultural country of small holdings The existence of these small holdings will continue to be an impediment to proper organisation and development of her agricultural resources In suggesting future schemes for development of agricultural resources the inevitable presence of small holdings must be taken as an existing factor In other countries of small holdings—countries like Denmark and Western Germany—smallness of holdings and poverty of agriculturists did not stand in the way of successful development of agricultural resources Given the necessary good-will between the Government and the people, earnestness and resourcefulness there is no reason why India's progress in agricultural wealth—in spite of her small holdings—should not be as rapid and great as that of say Denmark. Another great impediment to the improvement of agriculture is—and again I say with special reference to my province, Bengal—the excessive degrees of sub-infeudation. Sub-infeudation means that a large number of people possess a fraction of interest in the same plot of land There are districts in Bengal where 25 to 30 degrees of sub-infeudation is not uncommon In most districts 8 to 10 degrees of sub-infeudation is not uncommon Where so many people carve out an interest in the same plot of land it is but natural that none take an abiding interest in the improvement of land Then again the man actually in possession of the land is generally ignorant and poor. He may have the will to improve the land but he has neither the money, nor the knowledge, nor the capacity for organisation The comparatively better placed men above him have neither the legal right, nor the incentive of self-interest to improve the land Sub-infeudation is largely increasing to-day owing to economic and social causes. Further, there is no clear-cut division between the "raiyat" and the "landlord," using those expressions in their technical legal sense. The "raiyat" of to-day becomes the "tenure-holder" (landlord) of to-morrow and *vice versâ*. Attempts to protect by legislation the interest of the raiyat, although such attempts are theoretically very desirable, mean increase of litigation and the consequent impoverishment of the people—landlords and raiyats Ideas of giving the actual cultivator of the soil safety c[illegible] the real raiyat a tenure-holder and [illegible] produces such a baneful effect on tl[illegible] vicious circle thus continues. Pov[illegible] increasing and the production of [illegible] lth is sapped at its root. In the interest of the improvement of agriculture it is desirable to decrease sub-infeudation and to make so far as possible the holding of the raiyat an economic holding.

Development of industries is no doubt very necessary. Without such development it will be difficult to find an outlet for agriculturists in areas where population has increased and for employment of young men who have to take to the over-crowded literary vocations. This is, therefore, an important problem which should be kept in view. The industries to be developed have to be carefully selected and should be such as can be expected to stand in world competition. Industrial education, technical education, improvement of labour and organisation of industries are, therefore, necessary for improvement of industrial wealth. A line similar to that indicated for development of industrial wealth should be followed for the improvement of mineral wealth.

During the last 4 years there has been a considerable increase in taxation in the provinces as also in the Central Government. Such increase in taxation did not enable the Provincial or Central Government to do anything appreciable for matters about which public opinion is keen. It is all the more necessary, therefore, to keep in view the need for retrenchment and also the fact that before any appreciable increase in taxation is thought of, every attention should be paid for increasing the natural and potential wealth as also the resources of the country. Such increase will mean automatic increase in revenue without increase in the rate of taxation or imposition of new taxes. With the improvement of resources of the country the taxable capacity of the people will increase and increase of taxation will under these changed conditions be less unpopular. In short, what I advocate is to stimulate the productive capacity of the people. We may with advantage take a leaf out of the history of Japan. The Japanese constitution was promulgated by the Emperor of Japan in February 1889. The new constitution came into operation in 1890 At the time of the promulgation of the new constitution the Japanese people had given little evidence of industrial skill. The value of their foreign trade amounted to a very insignificant average *per capita* of the people The wealth of the country was small. There was a heavy load of national debt which was considered out of all proportion to the revenue. Administrative expenditure was already high and steadily growing, while the taxable capacity of the people was believed to have stretched to its utmost limits The new experiment of constitutional Government seemed to be thoughtful and experienced foreign observation full of danger and likely to produce the gravest consequences in the sober administration of the country. "The unpopularity of the ministry was extreme. Hot-headed agitators, at [illegible] osity [illegible] had [illegible] the [illegible] th" [illegible] nost notorious of these agitators many of whom were embittered by the memory of long terms of imprisonment." This was the state of Japan in 1890. What Japan achieved in 15 years' time is well-known to the world In this enquiry we are, however, concerned only with her achievement in adding to the resources of [illegible] n The national revenue was little over 11 [illegible] the national revenue was over 72 crores of [illegible] but if the taxation increased by nearly 7 [illegible] were also increased far more largely The value of foreign trade per head of population was only 4 3 Yens in 1893 and that in 1913 was 25 52 Yens. The increase in the internal wealth of the people was still more remarkable. The fundamental point, therefore, is to lay down a policy for stimulating the productive capacity of the people. Without increase in the productive capacity of the people increase in taxation is hardly a practical proposition.

With these preliminary remarks I venture to offer a criticism. In my opinion the present time is perhaps the most unsuitable for making any suggestions for fresh taxation or even change of methods of taxation I hope I shall not be misunderstood. It is of the utmost importance to hold a proper enquiry at a proper time into this very important question as also into the connected and equally important question of the economic condition of the people. The two questions, however, seem to me to be unseparable. My reasons for submitting that the present moment is a very inopportune one are:—

(a) The economic condition of every country, India not excepted, is in a changing condition due to the great war. As an illustration I may refer to the figures accepted by Lord Meston's Committee and the actuals as found two or three years later. India and the rest of the world have not yet arrived at economic stability. Enquiries made at the present time based on figures which are likely to be inaccurate are likely to prove to be undependable when normal times arrive.

(b) The present political condition of the country and the spirit of distrust evinced by the people towards Government and the Government towards people.

(c) In the present state of divided responsibility where initiative for taxation must come from an irremovable executive and the responsibility for passing such taxation must be in the elected majority of the people, recommendations of the committee, however, sound and attempts to give effect to such recommendations will only lead to misunderstanding.

(d) *The present constitution of India.*—By the present constitution limited autonomy has been granted to the provinces. Provincial taxation is a matter to be initiated by the Provincial Governments and can only be carried into effect with the concurrence of the non-official majority in the provincial councils. Any authoritative pronouncement by an all-India Committee is not likely to carry much weight with the non-official majority in the different councils who are likely to be swayed by their local predilections local public opinion and I may add even local prejudices. The recommendations of a committee like this will, perhaps, precipitate initiation of measures by local Governments who will be misunderstood by their local Legislative Councils and this will only add to the difficulties of the political and economic position in all the provinces in India as also in the Central Government and Central Legislature.

Lastly, the method of enquiry by an all-India Committee, without provincial enquiries, does not seem to be suitable. The conditions of different provinces vary so much, the incidence of taxation are so different, the country so vast, even the climatic conditions are so different that an all-India enquiry not preceded by proper provincial enquiries is not likely to lead to satisfactory results. However eminent the members of the committee may be, I do not think any one of the members or for the matter of that any set of men can assert intimate familiarity with all the provinces in India. In fact, I venture to think there cannot be any set of men who can have familiarity with the conditions of every province. The better procedure to my mind would have been to start independent provincial enquiries and after such enquiries were completed to set up all-India Committee. But as the Committee has been appointed and has started its work, the practical proposition to-day will be to classify the materials already collected—I have no doubt valuable materials have been collected—and then to adjourn the sitting for, say, 2 years. During these two years provincial committee should be set up who should investigate into provincial questions and then draw up their reports. After such reports have been drawn up an all-India Committee should again be set up. For all these reasons I would respectfully suggest

committee and await their final report till coming to final decisions. The revision of the Meston Award is also a matter which should vitally affect the decision of the Committee. If the Meston Award is not set aside, then one set of consideration would arise with regard to provinces which have taxed and retrenched heavily for taxation and retrenchment always mean that the local people are prejudicially affected from an economic point of view; while if the Meston Award is set aside a different set of considerations would arise.

For all these and other reasons my respectful advice to the Committee is that they should ask the Government of India to allow them to adjourn their sittings after preliminary evidence from all the provinces has been collected,

publish the valuable evidence which they have so far collected, in such form as they might consider most suitable, suggest the appointment of provincial committee to examine the questions of taxation and economic conditions of the people and after such reports have been received proceed with their work at a later date If it be found inconvenient for the present Committee to adjourn its sittings for a comparatively long period then a fresh committee might be appointed with as many members of the present Committee as may then be available I only hope the mistakes of the Meston Committee will not be repeated I believe the Meston Award is one of the main reasons for the present political situation, but I do not blame the members of the Meston Committee They were asked to settle most important problems within a very limited time and considering the shortness of time they did very good work. The subject which the present Committee has to report upon is far more difficult, complex and important than the work before the Meston Committee. I urge that no hurried decisions be arrived at.

Land revenue and land tax.—So far as I can see questions Nos. 96 to 104 have special reference to land revenue. Question 105 also has some bearing on the question of land revenue. There are other questions too which are indirectly concerned with land revenue The aforesaid questions relating to land revenue and land taxes are, however, too theoretical for a man like me whose knowledge of academic theories of political economy is limited. I do not, therefore, propose to answer these questions from the point of view of academic theories of political economy In my preliminary observations I have doubted the wisdom of the application to India of academic political theories of students of political economy who learnt their subject from books of European political economy and who have not yet perfected an Indian school of political economy based on observations of Indian conditions. In responding to the invitation of the Committee I desire to approach the question from the point of view of a man of affairs who has some knowledge of his province I do not propose to answer the questions referred to above categorically but I would like to give the Committee some idea of the real position about the practicability of imposition of any land tax in Bengal.

Area, population and public health of Bengal.—The total area of Bengal (British territory) is about 78,000 square miles. This is exclusive of big rivers, estuaries, etc., but include a comparatively small quantity of water area. Over 10 thousand square miles are forest, and about 16,000 square miles are represented by uncultivable waste, water areas, roads, railways, etc The net cultivable area is only about 52,000 square miles. The area actually cultivated is only 36,000 square miles The balance of 16,000 square miles of uncultivated but cultivable land is mostly economically uncultivable Out of the cultivated area only about 4½ thousand square miles are under two crops. The Sunderban portions of Backargunj, Khulna and 24-Parganas, the North-Western half of Midnapur, a very large portion of the district of Bankura portions of Central Burdwan and some portions of North Bengal called the Barind have all along supported a very very sparse population. These areas [illegible] square [illegible] ngal is [illegible] where [illegible] is the district of Chittagong Hill Tracts where it is 34 to the square mile. The average density of population on the cultivated area is over 1,200 to the square mile. Taking the total area of 78,000 square miles the density of population [illegible] that of the British Isles or the United Provinces of [illegible]

[illegible] of 2 crops cultivation. The pressure of population on agricultural land is indeed very high The insanitary condition of the province is well known. The death rate is high. The average life in Bengal is less than 23 as against 56 of Great Britain

I set out a table showing the distribution of occupation —

—	Total population which included total workers (i e, bread winners and dependants)	Actual workers (i e, bread winners).
Dependant on agriculture and other rural occupations.	36,653,603 (about 80 per cent of the total population)	10,570,279 (mostly natives of Bengal)
Dependant on industries or non agricultural labour including transport, trade, etc	6,716,688	2,369,174 (a large portion non-Bengalees)
Public administration and liberal arts including men in the police force, army comparatively large number of peons attached to administrative offices, lawyers, medical men, teachers, etc.	1,089,0[illegible]0	346,791 (the lower ranks mostly non Bengalee)
Miscellaneous	2,138,418	874,942

From the above facts and figures it will appear that the pressure on the population in rural areas is very great Most of the rural areas being insanitary, the climate enervating and the average life so short that it will be difficult for the Bengal raiyats to pay a higher rent than what he does at the

raiyats will be driven from their land. If they have to leave their land it will

System of land tenure and the income of zamindars and tenure-holders.—It will appear from the land revenue administration of Bengal of the year 1918-19 (I am giving the figures of 1918-19 as I have got the figures of that year analysed—the figures of later years will perhaps lead to a better result from my point of view) that the total gross rental of the province for that year was 12 crores 85 lakhs and odd and that the total rent-roll was 2 crores 99 lakhs and odd. The total amount intercepted by the landlords (including by that expression tenure-holders who are landlords in respect to their raiyats) was 9 crores 86 lakhs and odd. This 9 crores 86 lakhs and odd were intercepted by the owner of the following classes and number of property:—

Land revenue-paying estates	103,093
Land revenue-free estates	30,676
Rent-free tenures	36,063
Rent-paying tenures	3,386 567
TOTAL .	3,556,399

Most of these estates and tenures are held by co-sharer landlords. As it will be difficult to calculate the number of actual co-sharers I am proceeding on the basis that each estate or tenure is held by one person. If it were possible to take into account the actual number of co-sharers the average income to which I have arrived at later will be even much less Proceeding, however, on the assumption that each estate or tenure is held by one individual we find the following —

Total rent-roll	12 crores 85 lakhs and odd.
Deduct land revenue . .	2 crores 99 lakhs and odd.
	9 crores 86 lakhs and odd

If we divide 9 crores 86 lakhs and odd by 35 lakhs and 56 thousand and odd we find that the average income of a landlord is not more than 28 rupees a year.

It will appear from the above that the landlords of Bengal are very poor.

The matter may be examined from another point of view. The total number of voters in the landholders electorate for returning a member to the Legislative Assembly is only about 650 in Bengal. Only those paying land revenue or cesses direct to the Government are eligible as voters in West Bengal In East Bengal the land revenue and cess qualifications are smaller and permanent tenure-holders paying a similar amount of rent or cesses are also eligible as voters The revenue, rent or cess qualifications are such that the minimum income of these landholders is only about Rs. 12,000 a year although the maximum income may be several lakhs. From these figures it will appear that there are only about 650 zamindars in Bengal (barring infants and females) whose minimum income is not less than Rs. 12,000 a year. From the figures of revenue-paying estates and the revenue-free estates already given, it will appear that there are about 1 lakh 33 thousand zamindars in Bengal of whom only 650 (some of them own more than one estate) have a minimum income of about Rs. 12,000 a year. This means that only ·05 of the zamindars have an income of Rs. 12,000 a year.

The question examined from our local knowledge also points to the conclusion that the number of zamindars with an income of, say, more than Rs. 50,000 is extremely limited throughout the province and it is a rapidly diminishing number The reason is not far to seek. Let us take the case of a zamindar who, say, in 1880 had an income of one lakh a year. He left 4 sons. In the second generation the income becomes 25,000 and if one of these sons has 4 sons the income in the third generation becomes 6,000 rupees.

[illegible] most of the zamindars and tenure-holders [illegible]al reason of such indebtedness is that in [illegible]sive and harrassing methods through civil [illegible] number of civil suits instituted in Bengal are rent suits. 37 per cent. are money suits and most of these money suits are for *Kisti bandi* (bonds executed by the tenants for arrears of their rent). A large proportion of these rent suits are instituted at the end of 3 years and 11 months. It takes roughly about 3 years to realise rent by a suit so that the landlord often has to wait for 6 years for his realisation of rent while in the meantime he has to go on paying his land revenue and other outgoings. Realisation of rent by a suit means wastage of more than 25 per cent. of the total dues due to litigation expenses. Litigation in rent suits apart from other litigation takes away a considerable portion of zamindars' and tenure-holders' income. The raiyat also spends a good portion of his substance in these litigations. Litigation, therefore, means a curse both for the landlord and tenants and impoverishes both. It will, therefore, appear from the above that the zamindars of Bengal as a class are no longer a rich body

I will next consider the question of imposition of a cess on the zamindars, tenure-holders or raiyats. I again take the figures of 1918-19. The total

amount of cesses realised from the whole of the province was about 70 lakhs. Roughly speaking about half of this amount was paid by the raiyats and the remaining half by the landlords If this levy of 70 lakhs be enhanced by 50 per cent. by the imposition of new cess the total amount will be only Rs 35 lakhs—not a very large sum This new taxation, however, will weigh very heavily on the raiyats who are very poor and whose physical condition is deteriorating rapidly As more than 99.99 per cent. of the landlords are also poor it will weigh very heavily on these poor men as well.

In view of the rights granted to the zamindars by the permanent settlement it is submitted that Government have no justification in interfering with the permanent settlement contract either directly or indirectly by imposition of income-tax or any other tax on the zamindars. It is unnecessary to elaborate the point as the justice of this position has been admitted by the Government inasmuch as up till now the zamindari and agricultural income has been exempted from the operation of the income-tax

Abolition of permanent settlement will revolutionise the social, political and economic structure of Bengal and will not only affect the raiyats very seriously but will mean acute economic distress to the poorer middle classes of Bengal.

The problem of the poorer middle class of Bengal is very serious economic and political problem There are more high schools in Bengal than in the rest of the other provinces taken together, more colleges than in any three of the provinces taken together The result of the output of educated and half-educated men with mainly literary education has been deplorable. Many of these men eke out a miserable existence from their small landed interest Imposition of any cess or any interference with the permanent settlement will mean disaster to these men Such imposition will also be against the principle of just taxation because it will be a tax on a class of poor men who are least able to bear such taxation

As I have already submitted, rural Bengal is insanitary, its climate damp and enervating and any increase of the burden on the raiyats will be strongly resented

Lastly, paradoxical though it seems interference with the permanent settlement will mean large diminution in the income of the Government of India from income-tax and customs revenue The total amount of income-tax raised in the province of Bengal in the year 1920-21 is 6 crores 7 lakhs and odd (at the present moment it is considerably higher) It was proved before Lord Meston's Committee that 91 per cent. of the income-tax raised within Bengal was paid by tax-payers of Bengal from sources such as income from jute mills, jute business, local mill industries, local house property, local retail trade, local money-lending, etc The income derived from ramifying business in several provinces with head office in Calcutta or other places in Bengal was less than 9 per cent The amount of income-tax paid by local income-tax payers in Bengal in the year 1920-21 was, therefore, about 5 crores 53 lakhs If we compare this with the income-tax realised that year from the province of Madras we find a very great difference In that year only 1 crore 42 lakhs and odd was the income-tax from Madras. From this 1 crore 42 lakhs and odd should be deducted the income made outside the province but as I have no available figures I am taking the whole of 1 crore and 41 lakhs and odd as income-tax from Madras. Madras had then a population of 42 millions against Bengal's 45 millions and the [illegible]

Government of India will thereby suffer very large loss of income

Similar result will follow in income from customs duty if the permanent settlement of Bengal be interfered with In the year 1920-21, 12 crores 81 lakhs and odd were collected as customs duty from the ports within the

territorial jurisdiction of Bengal whereas only 1 crore 28 lakhs and odd were collected as customs duty from the ports in the territorial jurisdiction of Madras. The population of the two provinces as I have mentioned were 42 millions and 45 millions respectively Neither in Bengal nor in Madras customs duty collected from the ports of the province be taken to represent duty paid by consumers resident in the province. But if figures are examined it can be established that out of 12 crores 87 lakhs more than 9 crores is Bengal's real contribution to the customs duty realised at the ports of the province The consumption of Bengal in cotton manufactures, foreign liquor and tobacco, machinery, articles of food and drink, cutlery, hardware, is comparatively higher as compared with that of other provinces served by the port of Calcutta Further, the export duty on jute, and the bulk of the export duty on rice, tea, and hide and skin are Bengal's. If the whole of the 1 crore 28 lakhs and odd collected from the Madras be allowed to Madras without any deduction, the income from customs duty is only about one-ninth of the income from the portion of customs duty which can legitimately be claimed by Bengal Bengal is in a position to pay more customs duty because her raiyats and middle class men are better off as compared with those of Madras.

Any direct or indirect interference with the permanent settlement of Bengal m [illegible] he Local Government of Bengal (as land [illegible] though such additional income will mean [illegible] yet its inevitable result will be that the [illegible] from income-tax and customs duty will diminish very largely Is it then worth while to interfere with existing conditions which have a history of more than a century behind them?

Death duties.—I am opposed to death duties specially in a province like Bengal where the average life is about 23 and where partition plays such an important part both to the Hindus governed by Dayabhag school, and the Muhammadans. If imposition of death duties has meant such a hardship to the landed class in England where average life is 56 and where the law of primogeniture prevails, its imposition in Bengal will mean that most of the landed estates will be sold away in no time

I would like, however, to put forward, not in my capacity as the Secretary of the British Indian Association but in my individual capacity, a suggestion which to my mind seems practicable Under our system we are not bound to take out letters of administration on intestacy If it is made compulsory for all intestates leaving an estate valued at more than Rs 10,000 considerable income without much serious hardship can be realised I suggest, however, that the rate for the letters of administration on intestacy should be half of that levied for a probate There is also another suggestion which I offer in my personal capacity and not as the Secretary to the British Indian Association. Hindus governed by the Dayabhag school as also separated members of a Mitakshara family and Muhammadans have in some cases to pay a probate duty for obtaining letters of administration whereas the joint members of a Mitakshara famıly, who form a large section of the Hindus, escape payment of duties for leters of administration. Compulsory duties to obtain letters of administration should be levied in case of the Mitakshara family but in order to minimise the hardship two conditions should be made (*a*) the duty should be not more than 1 per cent. where the value of the separable shares is between 10 to 50 thousand and (*b*) 2 per cent for higher.

Income-tax on agricultural income.—Apart from other reasons no income-tax on agricultural income should be levied on the zamindars because of the promise in the permanent settlement contract. Apart from this promise income-tax levied on agricultural income will bring in a comparatively small sum In view of the fact that Government of India already derive a large income from the income-tax from the province the tax should be an unjust imposition on Bengal. Zamindaries in Bengal are rapidly ceasing to be economic properties and imposition of income-tax will hasten the process. There are very very few *bonâ fide* agriculturists whose income from agri-

culture will not reach the limit of even Rs 1,000 a year not to speak of Rs. 2,000 a year. The agriculturist in Bengal generally holds small holdings and the income is comparatively speaking insignificant. There is no justification for imposing income-tax on the *bonâ fide* agriculturists of Bengal

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Sir P. C. Mitter gave oral evidence as follows :—

The President Q —You have sent us a paper in which you say that you are speaking not as a student of political economy but rather as a man of affairs; and you are speaking as a representative of the British Indian Association?

A.—Yes I would like to say this. The letter asking me to give evidence only reached me on Thursday afternoon I had, therefore, to prepare this note in a hurry The British Indian Association's annual meeting took place yesterday and we had no time to allow the new Committee to go through it

Q —Would you mind explaining to us exactly what the constitution and objects of the Association are?

A.—It is a very old Association, one of the oldest Associations of this town and, if I may say so, the premier Association of this part of India. It has as its members landholders and other men with a stake in the country. They take a good deal of interest in politics and public affairs

Q —It is not solely a landholders' Association?

A.—No; there are among the members merchants also. There are also Calcutta landholders, that is, house property owners

Q —It is a political association of Indians with a stake in the country?

A —Yes, that will be a good description

Q —You say that "India does not possess extensive areas of virgin soil waiting for development" But are not there such areas, for instance, in Assam?

A.—I have spoken more with reference to my province of Bengal I know there are such places in Assam and elsewhere But compared with the density of the population there is no large quantity of virgin soil awaiting development

Dr Paranjpye. Q —We were told that in West Bengal especially, it is difficult to get stable and permanent occupiers for the land

A.—In Western Bengal, the position is this it is becoming unhealthy due to many years of neglect It is even difficult to get sturdy cultivators.

The President Q —We have been told that from Mymensingh and other places cultivators are migrating to Assam in large numbers

A —Some of them are and some are not It is always a question of supply and demand

Q —If they are migrating to Assam, there is a danger of the Assamese being submerged

A —Yes, one of my points is that the population in rural Bengal is much denser as compared with the population in England When you find that in England more than 70 per cent of the people live in urban areas, you can well understand what the pressure must be in rural areas in Bengal. That being the position it is only natural that if there is virgin soil people will migrate.

Q —You say that "India has a peculiar revenue history of its own dating back to the Hindu times." Does it date back to Chandragupta?

A.—I do not want to enter into theories, as I said. What I mean is that Muhammadan revenue history was really based on the Hindu system.

Q —And your theory is that the British administration has continued that with modifications and what is going on now is practically what was going on in Chandragupta's time?

A.—It may not be quite accurate to say that I may say that in the British system there is a foundation of the Muhammadan system and in the Muhammadan system there is a foundation of the Hindu system. Because, the Muhammadans got the empire from various Hindu kings, whereas Chandragupta and others like him were all-India Emperors. At any rate, all northern India was under their sway.

Q.—Do you find the present system in the Artha Shastra?

A.—To some extent, yes.

Q.—You say, "agriculture at the present moment is in a state of utter neglect."

A.—Yes, due to disorganisation mainly

Q.—Have the Agricultural Department done nothing to improve it?

A.—They have been trying to do their best but they could not do much. But considering the very limited resources at their disposal and also considering that the problem is so very vast and the public opinion is so little roused, I do not think they could do more I know that in some provinces they have done some useful work Their organisation is this They have got at the headquarters a Director of Agriculture There are then one or two Deputy Directors of Agriculture Then in the districts there are officers on a poor salary of Rs. 150 or Rs. 200 and they have to do propaganda work over a large area, often three or four thousand square miles A better organisation is necessary to do the work satisfactorily

Q.—You have no parties going about and cultivating plots which are let to them by landholders?

A.—There are parties like that, but considering the area of the province, they are not enough

Q.—In other words, that is one of the respects in which the country is underdeveloped?

A.—Underdeveloped in the sense that there are various places in Bengal where it is possible to grow two crops instead of one and I believe I have given the figures from the Census report

Dr Hyder. *Q.*—The point which you are mentioning is that State help is not sufficient, I want to know whether the landholders of Bengal have done their share in making two corps grow where only one crop grows

A.—They have done their share where the law has given them any right. But where the law did not give them any right, then it would be trespass on their part in the first place and secondly the incentive of self-interest is wanting

Q.—Do you mean to say that the landlord is prevented from making even the two annas in the rupee enhancement?

A.—Not exactly prevented by physical force. Take a holding paying a rent of Rs. 20 a year An increase of two annas in the rupee means Rs. 2-8-0. The capitalised value of that is about Rs 40; and if the landlord wants to get that increase through the law courts, he will have to spend about Rs. 1,000 and the raiyat has to spend about Rs. 300 in defending the action and no man out of Bedlam will do it If there were a simpler process, perhaps certain executive officers being on the spot decided the question, if the landlord got his proper share f
share as his profits,
he wants to have an
matter will be heard
from any distance; the matter will again perhaps be taken up in appeal, they generally go even to the High Court; and before the litigation is complete, he will have to spend a lot of money

The President *Q.*—The position is that the country is not overtaxed but underdeveloped?

A.—No; the position is, the country is overtaxed considering all the surrounding circumstances, the bad health of the raiyats, the density of the popula-

tion and the consequent pressure thereupon. It is also underdeveloped. The heavy taxation presses all the more because of underdevelopment.

Q—What I gather is the country can afford to have the present level of taxation if it were properly developed.

A—No, that is not so If it is properly developed then the present heavy taxation will press less heavily but even then further taxation cannot be justly imposed. We have 36,000 square miles of cultivated area and on this we have a land revenue, roughly, of 3 crores of rupees. Take, for instance, Madras The area there is 123,511 square miles and the land revenue is 5 crores and 13 lakhs If Bengal is paying 3 crores on 36,000 square miles, it is not underassessed You spend in Madras a large amount, perhaps a crore and a half on collection owing to the raiyatwari system

Dr Paranjpye *Q*—Does it not also depend upon the fertility of the soil? You cannot compare Bengal to Madras or Bombay without considering the attendant circumstances

A.—Take the whole area here and the whole area there and also consider the attendant circumstances after proper enquiry, but do not assume that the attending circumstances are favourable to Bengal without a proper enquiry on the point

The President *Q*—So your conclusion is that Madras is very much worse off than Bengal?

A—The raiyats are worse off but the Government is not better off; because you collect 5 crores and odd there, and you spend nearly 1·75 lakhs on collection

Dr. Paranjpye *Q*—How do you get that?

A—I get these figures from the Civil Budget Estimates.

The President. *Q*.—May I ask you whether you include the chowkidari tax in your Civil Budget Estimate?

A—No

Q—But we do

A—That may make a little difference

Q—But 57 lakhs is a considerable amount

A—Yes, take that into account but in that case take other Bengal taxes into account too My main point is that the raiyats are worse off and Government not better off, if at all, due to the faulty system.

The Hon'ble Sardar Jogendra Singh *Q*—If you have to bring so many suits for the collection of land revenue, what does that indicate?

A.—In Bengal we have to sue in civil courts and not in revenue courts.

Dr Paranjpye *Q*—Do you think it is a mistake in the law?

A—Partly yes, partly no That question, if I may say so without any [illegible]

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the disputes, adj [illegible]
so valuable in [illegible]
Bengal if you w [illegible]
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Q.—Do you think they are worth anything?

A—Their worth varies but they are often valuable to the owner who is not always a rich man But their value is gradually diminishing owing to circumstance over which neither the landlord nor the tenant has any control.

The President *Q*—You say that it is on account of the absence of the much more oppressive system of land revenue of Madras that the Bengal raiyat is very much better off?

A—Yes, partly, but my answer is as I have already said, the Madras system is not really better for Government but very much worse for the raiyat.

Q.—The consequence is that he is able to spend nine crores out of his surplus in customs duties on luxuries.

A—Not the raiyat so far as the bulk of nine crores is concerned The bulk of the nine crores is divided amongst a very large number of tenure-holders who individually get a few rupees only. The customs duty is in most cases not paid for luxuries. The poor raiyat must have a pair of *dhoties*. The better off should have a pair of shoes The poor raiyat ought to have salt. For these necessities he has to pay customs duty and when a large number pay even small sums individually the total becomes a large amount.

Q—The poor raiyat can weave his own *dhotie*?

A.—He cannot; because that industry has become so much disorganised that it is not possible for him to do it. That industry has been killed

Q.—He need not buy a Manchester *dhotie*.

A—Not necessarily There is another point which I must mention. In Bengal 71 per cent of the people die before 30, 85 before 40 and 93 before 50. Our average life is 23 against 53 of our British fellow-citizens.

Q—Are you including the infantile mortality?

A—I am giving these figures excluding infantile mortality. I have worked out the census figures myself If that be the health condition of the people you cannot expect too much It may be that the Bengal raiyat is better off than the United Provinces or the Madras raiyat. But the health conditions, the presence of litigation throughout the year and other sorrounding circumstances are highly injurious

Q—Yet they have a surplus of nine crores to spend on customs.

A.—The nine crores do not belong to the raiyat nor is it wholly spent on customs.

The Hon'ble Sardar Jogendra Singh. *Q.*—What does it work out to per head of the population?

A.—In my opinion we have not got enough materials to work it out. If you would appoint a capable officer with a suitable staff and if that officer be given one year's time he may arrive at figures which may be very roughly dependable.

Q—You are of opinion that the Committee should take a longer time for its enquiry?

A—Yes, very much longer and there ought to be far more detailed enquiry

The President *Q.*—One of the great evils is the excessive degree of sub-infeudation. And in most districts 8 to 10 degrees of sub-infeudation are not uncommon.

A.—It is rapidly increasing due to social and economic causes.

Q.—There is nothing to check it.

A.—I do not want to suggest off-hand. If a committee is appointed to

[illegible]

cost of living became higher. This initial prosperity began to be a diminishing

quantity. In the meantime tenure-holders and raiyats began to be educated, when one member of the family came to town he would leave his land with somebody for a short time. After some time he would be inclined to let it out. A raiyat comes to town and starts life as a petty trader. The same story is repeated, sub-infeudation increases It is the same in the case of the zamindars also. Take a zamindar with an income of rupees eight thousand. He has got four sons and the sons come to town, get educated and become pleaders, doctors and so on. The income in the share of each son from the ancestral land is not enough for his support He has to supplement that income and starts living in a town Naturally his share in the land is left in the hands of somebody. One of these sons leaves 3 or 4 sons, the situation becomes worse and the result is in the second generation that property ceases to be an economic property.

Q—None of those Government servants and doctors return to their villages and buy lands?

A—Some of them do. In the olden days more of them used to do it. For the past 30 or 40 years the health of Bengal has become so changed for the worse that anyone who tried to settle in a village and purchased lands returned a sadder and wiser man

Q—It is not one continuous progress But is there not action and counter-action?

A.—The unhealthiness of rural Bengal has added very materially to the economic difficulties and the normal state of action and counter-action could not have a free play because of the unhealthiness of rural Bengal.

Q.—Is it new?

A.—Comparatively speaking it is new. The great Burdwan fever started in Burdwan, spread to Nadia, Jessore and then to other districts. Unhealthiness increased considerably as the reports will show during the last thirty years. Very little can be done in Bengal unless the health problem is solved.

The Hon'ble Sardar Jogendra Singh. *Q*—Also the food problem?

A—Yes I consider the health problem as more important, but the two problems are intimately connected It is a vicious circle

The President. *Q*—You say increase in taxation did not enable the Central or Provincial Government to do anything appreciable for matters about which public opinion is keen.

A—I was in the unfortunate position of being a Minister for three years. [illegible] hed to the [illegible] brought in [illegible] hree years.

Q—Has there not been a steady transference from the reserved to the transferred side?

A—No such question arose in Bengal, because there was no money either for the reserved or transferred subjects.

Q.—The percentage of total revenue spent on the reserved side had decreased and on the transferred side it had increased

A.—Not in my province It was about 35 per cent in the beginning and 35 per cent in the end. No such question could arise as our deficit was so huge

Q.—Have you read Sir Visweswara Ayyar's book on the "Reconstruction of India"?

A.—I read it some time ago, but don't remember it full

Q—Did not the principal factor of the reconstruction of Japan depend upon the redistribution of taxation?

A.—Yes, but there was a fundamental difference. They had a national government there Although there too the Ministers were unpopular in the beginning they soon ceased to be unpopular for, after all they were Ministers of their own national government. Here if your countrymen want to take the initiative to introduce fresh taxation they will be misunderstood. Even if the

Member in charge of the Finance Department were an Indian and if he were to introduce fresh taxation he too would be misunderstood but in case of some Indians not to the same extent; Indian members of Government are called brown bureaucrats. I was instrumental in introducing taxation while I was a Minister in charge of some Transferred Departments but I was misunderstood although the taxes were introduced with the best of intentions.

Q.—You say that without increasing the productive capacity of the people, there should be no new taxation and you advocate that the productive capacity of the people should be stimulated In this connection, you quote the case of Japan, but is it not a fact that the progress of Japan was coincident with the period when there was high taxation?

A.—The assumption is not necessarily accurate In Japan they had their own national government and the Ministers were responsible to their own [illegible]

[illegible] were to introduce any new taxation, they will be misunderstood. Take for instance, if my esteemed friend the Maharajadhiraja Bahadur of Burdwan were the Finance Minister and introduced a new taxation Bill, he would be misunderstood and it would be said that his was the action of a brown bureaucrat Therefore I would advocate this—retrench, retrench, retrench Spend every pie that [illegible] ductive capacity of the people [illegible] has tried its best in minimisin[illegible] the savings effected for the go[illegible] get co-operation from many to increase its resources In this way taxation will be an easier proposition and the fruits of this taxation should also be employed for increasing the productive capacity of the people. I know it is very difficult now for anybody to convince the people of the need for further taxation When I was a Minister I had to introduce three Bills in my time, and I was also misunderstood

Q.—You had a very strong Retrenchment Committee in Bengal? At least a fairly strong one?

A.—I cannot say it was a very strong representative Committee The people would have liked a stronger and more representative committee. The opinion of the Committee was that there was considerable room for retrenchment, but the main difficulty was that many subjects were mostly on the reserved side and could not be retrenched without the sanction of the Secretary of State, which apart from other difficulties mean years of delay. That is why I say the present constitution makes it very difficult to have freedom of action

Q.—When you say that without increasing the productive capacity of the people, no new taxation should be imposed, does not the converse hold good?

A.—The converse would hold good only if I were convinced that there was no room for further retrenchment, but I say, retrench, retrench and retrench. Once you finish the retrenchment, you can very easily turn your attention to possible avenues of new taxation for increasing the productive capacity of the people.

Q.—Then again you make some criticisms about our terms of reference and suggest that we should take evidence and then retire into private life for some time. I am afraid that this might be construed as meaning that we were trying to shirk our job in not forming our own conclusions.

A.—But I say, Sir, that your job is so very difficult and your time is so very limited that any attempt to finish this very difficult job in a few month's time would be neither fair to the country nor to yourselves

Q.—We are not proposing any new scheme of taxation to be brought into force, but we are only giving the *pros* and *cons* on the materials which have been discussed now and then in the budget speeches in the past and educating public opinion and collecting materials on these.

A.—If I may say so without any impropriety to you, if you come to a decision without full materials, then it will be impossible for you to come to right conclusions or to give the right lead to the public.

The Hon'ble Sardar Jogendra Singh. Q.—Your point is that the Committee cannot formulate their decision without having such materials before them as can be obtained from a thorough economic enquiry, is it not?

A.—Yes, that is my opinion. First of all the problems are too vast for an all-India Committee and then your Committee requires a good deal of assistance from every province. Take for instance, Bengal, its problems are so very difficult that it will require at least one year to understand its problems for a very hard working man. You require the help of Provincial Governments and of provincial committees to a greater degree than it is possible for you to get now.

Dr. Hyder. Q.—May I ask you to specify exactly what are the taxation problems you have in mind?

A.—Taxation problems in what sense? If I were to speak generally according to your terms of reference I say Bengal is the most heavily taxed province in India.

The President. Q.—Have you not told us that land revenue is very much lower in Bengal than in the other provinces?

A.—Land revenue is not the only source of taxation, but there are other sources of taxation. I would [illegible]
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raised by the Imperial Gover[illegible]
local bodies. Out of this rou[illegible]
ernment and of the balance [illegible]
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raise something like 8 crores of rupees as income-tax. Out of this 8 crores, about 91 per cent. is Bengal's own on our local retail trade, our house property, our jute business and certain other local sources. I think we proved before the Meston Committee that 91 per cent. of the income-tax raised within the province was really Bengal's own contribution. Therefore we can claim 91 per cent. of the income-tax. If you take income-tax which is about 8 crores of rupees, nearly 7 crores is Bengal's own, and again if you take customs duty about 65 or 70 per cent. is Bengal's own, i.e., paid by consumers of Bengal. Therefore if you take the figures and compare them with those of other provinces, the only province which would compare favourably will be Bombay; bearing that no other province would compare with Bengal at all.

The Hon'ble Sardar Jogendra Singh. Q.—Your fear is that the economic theories based on the knowledge of other countries in the world would not hold good in the conditions in India?

A.—Certainly. I have discussed with professors with erudite knowledge in the science of economy, but their conclusions always seem to be based on no knowledge of Indian conditions. I mean to say that to come to any conclusion regarding the taxation of India, you must have accurate and exhaustive knowledge of villages in India and more time at your disposal.

Dr. Hyder. Q.—So far as you say that income-tax is taken out from your province, that is not a problem peculiar to Bengal, but it is a problem peculiar to all the provinces?

A.—I do not think so. If you compare what is taken from other provinces, you would find that Bengal pays very much more.

Q.—That is due to the fact that some of the chief industries have their centres in Bengal.

A.—You may exclude the ramifying industries and include only such industries which are exclusively Bengal's. I would give you examples one by one. Take the jute industry. It is undoubtedly Bengal's. Apart from income-tax from the jute industry a lump sum is raised from export duty in jute and it is for this reason Bengal has become so unhealthy, but the Government of India has no right to take away 3 crores and 50 lakhs of rupees and not spend a single pie for the health and comfort of the raiyats who deal with this stuff

The jute industry is encouraged to the detriment of the raiyat himself. It is grown at the expense of the health of the cultivators themselves, and the Government of India has no right to take so much income without attending to the health of the people who grow this commodity.

The President. Q.—Those are far fetched arguments.

A.—Not at all

Q —You choose to engage in a dangerous trade and the Government takes income-tax from you?

A —That won't be a correct way of putting it. Jute cultivation by itself is not a dangerous trade, but out of the *income derived from this industry*, the Government should spend at least 20 per cent of it for the health of the people concerned. Even if it be assumed to be a dangerous trade the employers of labour in such trade have a special responsibility.

Dr. Hyder Q —You brought jute on to the lands of Bengal which are marshy and full of water They pay land revenue and that is fixed permanently and that jute is manufactured into a commodity which is an entirely different thing to the growing of jute

A.—I am not talking about the manufacturing portion of it.

Q —Your point is that jute is produced in Bengal and that it brings disease to the people and Government spends nothing to allay this disease?

A —My point has nothing to do with the manufacture of jute into finished commodities My point is confined solely to the growing of jute. Jute is grown under unhealthy conditions, for example, people who are to clean the jute have to spend a long time in water and for hours together. There must be cesspools and stagnant water, etc , in order that jute fibre can be extracted. Cesspools and stagnant water contribute towards unhealthiness of the province.

Sir Percy Thompson. Q.—You realise that the Government of India does not take even one pie out of the growing of jute?

A.—Certainly it does take about 4 to 5 crores from jute but I want to make one point clear first When I was referring to the income from jute amounting to more than 3½ crores of rupees, I was referring to the export duty on jute From the export duty on jute, Government gets roughly 3½ crores and there are few commodities in addition which bring this duty and they are, tea and hides and skins. Out of these commodities, jute is the monopoly of Bengal and the cultivator grows it He has to grow this under very insanitary conditions and so if the growth of jute adds to the wealth of Bengal, it is but fair that the Government or whoever takes this tax should also see to the health conditions of the raiyats who cultivate it. Besides the export duty on jute Government of India takes a large income from the income-tax on jute industries.

Q —You are raising a very controversial point as you say 3½ crores of rupees is paid by Bengal. The whole theory is that jute being a monopoly, it is being paid by the foreigner?

A.—Raw jute is not a monopoly, but its finished product is the monopoly. I can give you my own experience during the war period. It was the jute mill owners who were the monopolists and during those war periods the raiyats had to sell at a very low price. The reason was this. Outside jute markets were stopped and during the war when shipping was stopped the local jute millowners became the only purchasers and the result was that they could buy the raw jute at a very cheap rate and they could sell this monopoly at any price they chose. I suggest that the monopoly is of the finished product, e.g , the jute bag. If the jute is not grown, jute sacks will not be made. People want jute sacks for many purposes, they do not want the raw jute If ten times more raw jute is grown than is necessary, then more raw jute won't be purchased than is necessary. Therefore jute sacks will continue a monopoly so long as there is a demand for them and there is always a demand for them Raw jute is not the monopoly, but it is the jute sack which is the monopoly Even if we assume it is a monopoly, we are only concerned with the profits of the monopoly.

Dr. Hyder. Q.—In reply to Hon'ble Sardar Jogendra Singh, you said that economic theories of other countries cannot be applied to India. I ask you, the sum total of the economic theory resolves into one or two points. One is price. Would you say that prices here are managed on some other principle than prices in the West?

A.—I would not like to be led into this controversial point as I am not a student of political economy. But I can place before you some special condition of India, for example, India is the producer of raw materials. India exports a good deal of her raw material and India is the consumer of large quantities of finished products manufactured in other countries. It is necessary to re-examine the general truths you may mention and what deductions have to be drawn from those truths when applied to Indian conditions. I would lay more stress on deductions with due regard to Indian conditions.

Q.—But this has nothing to do with our question. I put it before you whether you think the principles of taxation as enunciated by the people of the West are applicable to this country or not?

A.—It depends on so many factors. It is such a general question that I cannot give you a definite answer.

Q.—I ask you whether another principle is not this. That Government in making a scheme of taxation ought to obtain the resources required from people who are able to pay? Would you admit this in the case of India or not?

A.—Yes. The logical conclusion would be that the rich man must pay. Then the question will arise as in England, comparison between rich men and poor men. As a self-governing nation England can afford to tax the rich men and if need be its poor men, but in India under its present political evolution, if you tax the rich unduly, there will be a good deal of agitation amongst that class. You ought not to tax the poor in a country like India unless it is absolutely necessary. Therefore the application of those principles to the conditions of India introduces difficulties.

Q.—Taxation is not welcome anywhere, but would you admit that the rich must pay more to the State?

A.—For that my answer would be that the system of Government is so very different here, it would be dangerous to increase the tax now on any class.

My proposition is that the landlords and the rich people are not interchangeable terms. In England it may be so, with its law of primogeniture, in Bengal at least 99.5 of the landlords are very poor men.

The Hon'ble Sardar Jogendra Singh. Q.—Don't you think for the economic welfare of the country, you want accumulation of capital and you want more richer and middle class people?

A.—Yes, but only those who would be able to utilise their capital for the development of the country.

Dr Hyder. Q.—Is it your proposition that you should reduce the taxation on the rich, and distribute it between the middle class and the poor?

A.—My proposition is that you should carry out retrenchment first. I do not propose any new taxation at all either on the rich or poor till you have retrenched.

The President. Q.—You were saying that we ought to begin with local enquiry. At the time when retrenchment committees were meeting, practically every province made enquiry into the question of taxation?

A.—No proper taxation questions were raised at all by these committees I think.

Q.—Why, you had the Police Rates Committee?

A.—I do not think that so far as I remember that report was even considered by the Government, at least, not in my time. The Committee was appointed about the division of police expenditure prevailing between Calcutta and the mofussil.

Q.—I think the point in question was when the country pays for its police in the shape of chowkidari tax, why should not the town pay for its police?

A.—The point was different. The police administration of Calcutta cost such a lot that it was considered whether Calcutta should be specially taxed for its own police or not. That was only a very limited enquiry and I do not think that enquiry is even complete, and I do not think that Government ever considered that report

Q.—In Chapter XX of the Retrenchment Committee's Report, don't they defend the local cesses and the transfer of functions to local bodies?

A.—Yes, but that was rather beyond their scope, and so far as I remember, the outside public never knew that it was their function to go into these questions.

Q.—Have you got a Committee now sitting on the subject of death duties?

A.—Yes.

Q.—I am only citing these to show that in Bengal as in other provinces, they have had a number of enquiries.

A.—My point is entirely different. Let there be a systematic enquiries in all the provinces, not spasmodic enquiries of this nature which lead to very little results and often to wrong results There should be systematic enquiries on two points: the economic condition of the people as also the possibilities of taxation and possibilities of retrenchment.

Q.—The economic enquiry is being taken up, as you know, by another Committee

A.—That again is an all-India Committee

Q.—As regards local enquiries of taxation, we find that there had been a number of enquiries into isolated taxes and we have done our best to gather the results of those enquiries into our material.

A.—I do not think that these spasmodic enquiries will do any good. There ought to be systematic enquiries, there have been no systematic enquiries, at any rate in my province.

Q.—On page 485 of your written statement you say that the total amount intercepted by the landlords (including tenure-holders) was 9 crores 86 lakhs and odd. Is that the whole of their income?

A.—That is the whole of their gross income

Q.—Yet that same class is largely responsible for spending almost an identical sum on the imported goods

A.—No I have shown that the average income of that class is only Rs 28 a year; therefore they cannot spend much. From the forties to the eighties there was a great deal of agricultural prosperity in Bengal; schools were started (I have said elsewhere [illegible]
in the rest of India put tog[illegible]
educated men and these men, [illegible]
what they get from land, can [illegible]
that exists in Bengal does not exist to the same extent in Madras or in the United Provinces.

Q.—Is it not the educated middle class that is well off in Bengal?

A.—No, they are not well off The pressure on them is even worse than on the raiyat

Dr Hyder. *Q.*—Because they do not perform manual labour.

A.—That is because of the Government policy in the past by which only literary education was stimulated, or it may be want of policy; manual labour and technical education were never thought of

The President. *Q.*—Where does the surplus of 9 crores come from?

[illegible] ss man in Ben-
[illegible] I say that the
[illegible] he middle class
[illegible] Bengal.

Q.—His taxable surplus is larger than in the rest of India?

A.—No, he has no taxable surplus, besides all indirect taxes are taxes. He is paying in customs duty and income-tax. Land revenue should not be taken as an isolated item

Q.—Whether all-India or provincial, it is taxable surplus.

A.—Naturally, but it is already taxed twice over, the tax should be taken once, not twice over If there was not that tax, then no doubt you would be justified in saying that you get a taxable surplus

Q.—You arrive at this figure of Rs 28 a year per landlord by the process of dividing the gross rental by the total number of land revenue-paying estates land revenue-free estates rent-free tenures and rent-paying tenures, these latter being 3,586,000 in number

A.—That relates to the year 1918-19; in more recent years, the numbers have increased There is one point which strengthens my point I have assumed that each estate or tenure is held by one man In point of fact, there are men who hold more than one estate or tenure, but by far the larger number are men who divide one estate or tenure amongst themselves Perhaps ten or twelve are co-owners for a single estate If enquiries are made, you will very likely find that their income is not more than Rs 20

Q.—Are not the results of the average apt to be very fallacious? You have 650 people for the bulk of the income

A.—Not the bulk

Dr. Hyder *Q.*—Rs 12,000 is the minimum

A.—If you ask the maximum, I do not think there are more than a dozen with an income of a lakh of rupees a year in Bengal to-day

Q.—Not more than a dozen!

A.—There may be lots of other men with a larger income, but among the zamindars there are not That is why I advocate a provincial enquiry If you go away with the idea that the Bengal zamindar is a rich class, you will be going away with a wrong idea If you analyse the settlement records, you can get at the individuals and find their income

The President *Q.*—You say that litigation means a curse both for the landlord and tenants and impoverishes both How would you remove that curse?

A.—That is a different point altogether I gave my evidence before the Civil Justice Committee on that point I am quite willing to give my evidence on this point, but it will take a little time

The Maharajadhiraja Bahadur of Burdwan. *Q.*—What did the Civil Justice Committee say on this point?

A.—I have not read their report yet

The President *Q.*—You have suggested that these matters should be settled by a Settlement Officer

A.—Some of these matters, not all

Q.—I understand you would like to remove these suits from the jurisdiction of Civil Courts.

A.—That cannot be done in Bengal.

Q.—In the Madras estates they are all tried by Revenue Officers

A.—The Bengal Government applied the same procedure in Orissa, but did not apply it to Bengal or Bihar The reason was that Orissa was temporarily settled for 30 years and there could be a clean slate, but Bengal and Bihar were permanently settled I may have my remedies, but I do not like to express them off-hand These are problems which require a good deal of investigation They cannot be decided in a summary fashion; they have a history of more than a century behind them

Q.—On page 487 of your memorandum you say that one reason for the larger contribution of income-tax is that the Bengal raiyat and the bulk of the middle-class of men in Bengal are, comparatively speaking, better off than the similar class men in Madras

A.—You have already taxed them, you cannot tax them over again.

Q.—Does the raiyat pay income-tax?

A.—No; but the raiyat pays his tax on the cloth he uses, salt, kerosene oil, etc

Q—You are speaking of the comparison between the income-tax figures.

A—If the trader pays income-tax, he will recoup himself from his customer and all indirect taxes have a tendency to raise the price. If you examine the figures of the pre-war and after-war periods, you will find how the cost of living has increased in Bengal.

Sir Percy Thompson *Q*—Do you think the man who pays income-tax can throw the burden on to his customer?

A—He may or may not succeed in doing it. In Calcutta he can never throw the burden on to the customer, but if you go to the village, where he can command his price and where there is no competition, he tries to recoup himself Where there is competition, he cannot always get it out of the customer.

Q—Human nature being what it is, if he has a monopoly, he will charge a higher price, income-tax or no income-tax.

A.—But these various taxes do affect the price when a particular article enters the country for payment of customs duty It a particular article can go into the hands of the consumer for payment of income-tax, that would have an effect, apart from competition. This money comes from somewhere.

Dr Paranjpye. *Q.*—You say you are opposed to death duties; we cannot fight about words, but you do consider that certain duties of the nature of death duties should be levied

A.—That is my personal opinion In my opinion they are merely duties paid to Government through its own courts for settling questions of title about succession. If a man dies and somebody who claims letters of administration applies for them, that is a test of the man's title to the property. If you charge, say, 10 per cent, it can be called a death duty, but if you charge only ½ per cent, it will be something which you pay to the court for its loss of time.

Q.—2 per cent is charged up to a certain limit and 3 per cent afterwards.

A—That is more a lawyer's suggestion than a suggestion for taxing purposes.

Q—You know that at present Parsees, Europeans, Christians, Jews, etc., are required to take letters of administration.

A—Yes, on intestacy.

Q.—In the case of others, such as Hindus and Muhammadans, they are not required to take letters of administration.

A.—In the case of Hindus, those who take property by means of survivorship have not to take letters of administration; but those who do not take property by survivorship have sometimes to take them.

Q.—You see the two communities are treated differently.

A.—Yes

Q.—Don't you think it right that the communities should be brought on the same level?

A.—No, not on the same level. A smaller amount is quite enough, because when the Succession Act was passed in 1865, there was no idea of making profit out of litigation and since then, the various Court Fees Acts were amended and recently on account of financial stress, when duties were introduced under the Court Fees Act the idea of adding to the income arose. I would rather go back, when the proper time comes, on the policy of taxing litigation; at the present moment, we cannot afford to give up the profits from taxing litigation.

Q.—The world has moved a good deal beyond that; death duties are practicable now.

A.—The two things are fundamentally different. I am opposed to death duties for the purpose of raising taxes.

Q.—Why are you opposed?

A.—Because, in a country like India where the average life is so short, where accumulation of capital is important and where there is a law of partition, it will be a burdensome thing.

Q.—If the average life is short, that would only be a reason for making the rate a little lower.

A.—There is also the law of partition In England where the law of promogeniture prevails, a considerable number of estates have been wiped out because of death duties Our average life is 23, whereas theirs is 56. If you levy death duty in a province like Bengal, all the landowners will be merely swept out of existence.

Q.—You take the example of England where there is a law of primogeniture, but take the case of France where there is no such law and where the estates are small

A.—In France too, the holdings are getting smaller and smaller. There are other questions affecting the problem, *e g*, the question of keeping down the population in France That is a very favourite theory in France In India we know it is the other way about A man marries at 16 and by the time he is 20 he has a number of children

Q.—In any system of death duties a certain minimum would be exempted, and consequently death duties will be charged only on bigger estates

A.—As soon as the owner of a big estate dies, there will be four or five divisions of the estate, the result is litigation and the third generation will come in 20 or 22 years it will be far more oppressive.

Q.—Why should it be oppressive?

A.—Because the change is quicker.

Q.—If the change is quicker they would charge only lesser duties

A.—If you calculate it properly you will find that it will not only be a diminishing quantity but perhaps having a minus quantity as compared with the present rate of court-fees Take a man who dies at 56, he inherits, say, at 25, he enjoys the property for 31 years Take a man who dies at 23, he takes possession of his property when he is 18 or 19

Q.—You are pushing matters too much. The expectation of life of a man who inherits at 18, is certainly not 5 years

A.—In Bengal that is the average life

Q.—I am afraid you will have to revise your ideas of expectation of life.

A.—If you tour in rural Bengal for six months, you will find it out yourself They do not go in for life insurance

Dr Hyder *Q*.—Not even *Bahadralol*?

A.—The *Bhadralok* and the non-*Bhadralok* are equally non-exempt from death, but the *Bhadralok* and the non-*Bhadralok* living in towns under healthier conditions have much longer life I am not exaggerating things

Dr Paranjpye *Q*.—Ordinarily, you agree that in rural areas the size of the estates is comparatively small, except among the very rich people

A.—The zamindaries are all in rural areas Some of the owners reside in towns, but all the zamindaries are in rural areas

Q.—If they reside in towns, their average life is more

A.—But only 7 per cent is the urban population

Q.—May I explain that the average life is ordinarily meant as the average life of a person at the time of his birth? The expectation of life at 18 is certainly not 5

A.—I admit it is an astounding figure, but it is nevertheless a fact

Sir Percy Thompson *Q*.—Even in England the expectation of life increases up to a certain point

A.—Undoubtedly it does.

Q.—Your expectation of life is 23 years. At 18 the expectation must be more than 23

A—I won't quarrel about the exact age My real point is that the average life here is considerably lower than what it is in European countries.

Q.—Is not that owing to the fact that there are a large number of deaths between the years 0 and 10? This will not count for estate duty purposes.

A.—I quite see your point, take the figures by all means, say, between 20 and 50 and compare the figures of the two countries.

Q—That is not an argument against death duties, because if it is a fact that the estates change more rapidly and more frequently, it is perfectly possible to adjust that by lowering the rate

A—No Arguing theoretically, it may be possible, but if you examine the figures, say, from 20 to 50 in Bengal and compare it with those in England, Scotland and Wales, *I am sure you will find that the expectation even at 20 is* very small.

[illegible] estate duty [illegible] eight of [illegible] e estate [illegible] get the

A—That you can, but if you examine the figures you will find that the duties you already have are perhaps higher than you ought to have

Q—That is not a fact, that is speculation.

A—The other thing is also speculation.

Dr Paranjpye *Q*—What is the expectation of a person at 23?

A—I am reminded that I ought not to answer in a speculative way. I can only say that the average life is very short and I can also say that people with landed interests in Bengal are generally very poor.

Q.—Estate duties are not intended to hit very poor people, but only those who leave considerable sums of money which they have been able to amass

A—That ought to be the basis, but what do you think of death duties levied on estates valued at Rs 10,000? That man may have left 6 sons.

Q.—Then the estate duty will be comparatively small, and there will be no legacy duty. In England there are two kinds of duties; one an estate duty which is levied on the corpus of the whole estate graduated according to the size of the estate, and the other, a legacy duty or a succession duty which is levied according to the share received by each legatee, there is a minimum limit in each of these cases If a man leaves Rs 10,000, probably in England he would be charged £100 or £150 only as death duty, and if he *leaves four sons, none of the sons will pay a legacy duty*

A.—Your proposition is that the duty should be levied within certain reasonable limits. If you lay down these limits and apply them to local conditions, you will get very little from Bengal.

[illegible]

man not paying several times over.

Q.—It does not matter what you call it Would you advocate lumping together all that you pay and making it into one as a general principle?

A.—I do not understand At the present moment, there is only one kind of duty. The executor of a will takes out probate and he has to pay court-fees on the probate. If a man does not leave a will and the heirs wish to take letters of administration, they have to pay court-fees. That is the only thing we have at present. I am advocating that we should stick to that only, *viz*, court-fees and not death duties.

Q—Wouldn't you advocate, where there are stamp duties levied, that the duty should be increased during the life time of a man?

A—No At the present moment, when a settlement is made, a stamp duty has to be paid under the Stamp Law which was recently increased in

Bengal Therefore, to my mind there is a difference between death duties and court-fees I am against death duties in any shape or form.

Sir Percy Thompson Q.—You say "apart from other reasons no income-tax on agricultural income should be levied on the zamindars because of the promise in the permanent settlement contract."

A—Yes, in the permanent settlement contract, it is stipulated that the revenue is not to be increased But it may be explained away by saying that this is not a revenue but a tax But none the less it is a breach of the promise If you do it there will be discontent among all classes.

Q—You know that in the 1860 Act income-tax was levied

A—Yes, I have not looked into that point carefully as I had to draw up my memorandum on very short notice, and I am afraid I will not be of much assistance to you on that point But my general impression is that the imposition of income-tax on agricultural incomes will be a breach of the permanent settlement

The Maharajadhiraja Bahadur of Burdwan Q—What Sir Percy Thompson aims at is this When in 1860 the Income Tax Act came into operation, income from agriculture was included Then according to you that must have been a breach of the permanent settlement contract But no objection seems that to have been taken on that point at that time, and for some reason or other it was later on abolished

A—I have not looked up to the literature on that point My opinion is that the imposition of income-tax on agricultural incomes in 1860 was a breach of the contract But as I said, I am afraid, I will not be of much help to you on that point I would rather not elaborate on that point. I had only very short time to prepare the note. It is a very important point and I should not say anything off-hand.

Sir Percy Thompson Q—Apart from that, you go on to say In view of the fact that the Government of India already derive a large income from the income-tax from the province the tax would be an unjust imposition on Bengal Apart from the merits of its imposition, does this consideration hold water, because it will be coming entirely out of different profits?

A—No, it does not Because take the case of our traders The same people are often traders and agriculturists

Q—But does not the income-tax come from commercial classes who are, ordinarily speaking, not connected with agriculture?

A—It comes also from traders who are connected with agriculture. It also comes from owners of houses many of whom are connected with agriculture It also comes from zamindars many of whom are owners of houses in towns like Calcutta and Dacca It also comes from money-lenders who are also connected with agriculture

Q—Do you think a large amount comes in that way?

A—Yes, a very fair amount

Q—Do you think there is very much income-tax collected in Bengal outside Calcutta and Dacca?

A—Not very much A considerable portion is collected in Dacca. But Calcutta is the main source In the rural areas there is comparatively a small number of men who pay income-tax Whether in the capacity of zamindars or money-lenders or any other way, they are all connected with Calcutta more or less, and very often the collection is made in Calcutta for what is due in the mofussil also

Q.—So your view is that if there was an income-tax on agriculture, it would, normally speaking, be an addition to the income-tax that the existing classes pay?

A—Yes, with regard to many of them Therefore, I am pleading for a more careful investigation, I mean, investigation into the facts from the lists as to how many of them have agricultural income I cannot tell you off-hand what is happening all over Bengal. I must have more facts before I say anything on the matter.

The President. *Q.*—When you say that the average duration of life in Bengal is 23 9, you are referring to the mean age?

A.—I calculated that about three years ago.

Q.—You are not referring to paragraph 114 of the Census Report?

A.—No. This was printed in a pamphlet of mine published in 1920. If you want I will re-calculate the figure and send it to you

Q—If you can supply us with any other materials we shall be grateful.

A—If the Committee wants me to give any information on any particular point, I shall gladly do so.

Q—Regarding the jute tax, has your Association made any representation to the Government of India?

A—I can also send you information on that point.

2nd April 1925.

CALCUTTA.

PRESENT·

SIR CHARLES TODHUNTER, K C.S.I., I.C S., *President*

SIR BIJAY CHAND MAHTAB, G C I E, K.C.S.I., I O M., Maharajadhiraja Bahadur of Burdwan

SIR PERCY THOMPSON, K B E, C B

The Hon'ble Sardar JOGENDRA SINGH

Dr. R. P. PARANJPYE.

Dr. L. K HYDER, M.L A.

Mr. S. W. GOODE, I.C.S., M.L.C., Secretary to the Government of Bengal, Local Self-Government Department, was examined.

Written memorandum of Mr Goode

Q. 106—There is not much local taxation in Bengal which can be termed "national or onerous." However, a local public health service in so far as it is necessary and efficacious for checking the spread of infection to areas outside the local jurisdiction, might come under this classification. Again, the maintenance of main roads has a semi-provincial character. *Ability to pay is perhaps not the main criterion for the levy of taxes of* this kind. What is required is that sufficient funds should be raised locally to provide efficiently for the services concerned, since their efficient local administration will ordinarily imply that the obligations of the local body to external areas have been reasonably discharged. Education is perhaps another service which comes within the category (*a*) since the welfare of the State is largely dependent on the proper education of its children. In the case of education, proper provision for giving primary instruction to children *of school-going age within the local jurisdiction may* not exhaust the local ability to pay, but generally speaking these "onerous" services will always suffer from lack of funds and the local taxation for their maintenance should ordinarily be as high as possible

Q 107—The Local Self-Government Department from time to time explored the possibilities of further local taxation, and it does not seem practicable to suggest new taxes which are not included in Schedule II. A tax on pilgrims resorting to *melas* or other places of pilgrimage has recently been proposed, the tax to be realized by means of a surcharge on railway or

steamer tickets If further suitable methods of local taxation can be suggested, it seems most desirable to make them available to local authorities. Schedule II undoubtedly fails to give them sufficient scope although of course the yield of taxes included in that Schedule could be vastly increased if local bodies were prepared to tax adequately under the powers they now enjoy.

There is a good deal to be said for making certain taxes imperative, such as, *e.g.*, a tax upon person or holding, a tax on vehicles and animals, a tax on trades, professions and callings, and the special taxes such as the water-rate, levied in return for services rendered Local bodies in most cases would cheerfully impose a tax which was obligatory in a statute, whereas they shrink from imposing taxes, except those sanctioned by long usage where their powers are discretionary Even though these obligatory taxes were assessed at low rates, there would always be some yield, and it is easier for a local body to increase a rate of taxation than to impose a tax which its predecessors have never levied

Q 108—Bengal has no experience of octroi but the levy of a terminal tax on goods under the Calcutta Improvement Act has worked satisfactorily. The tax on houses and lands in municipal areas (or its alternative tax on persons) is the backbone of municipal taxation, and if assessments were fairly made, there would be no ground for finding fault with these taxes A house tax is in effect an addition to rent (which is accepted as inevitable expenditure) and dissatisfaction with that mode of taxation can perhaps only be defended where the assessment is arbitrary, unequal or excessive A cess on lands in rural areas also seems well adapted to Indian conditions Its incidence may still be light while yielding a considerable revenue, and on the whole, it may seem to reach most persons who are competent to bear taxation.

Q. 111—There has been a tendency among local bodies (District Boards) in Bengal to levy tolls on bridges more freely than Government considered desirable when District Boards were presided over by District Magistrates. This form of taxation, if it is properly supervised, does not appear to be repugnant to the people and there seem to be good grounds for giving local bodies of which the constitution has in recent years been popularized, a wider scope for the levy of tolls on bridges and roads This is one of the few methods still available to local bodies for financing the construction of bridges and new roads The minimum limit of distance between two toll-gates cannot be suggested without careful enquiry generally speaking, there should only be one toll-gate on a road leading to any particular centre, while important bridges are not likely to be within easy juxtaposition of one another.

Q. 112—There is much to be said for levying the house and land tax entirely from the owner There is no difficulty in his shifting a moiety of the burden on to the occupier by provision in a lease, and the labours of the local body are reduced by the decrease in the number of persons from whom taxes have to be realized

Q 113—It is desirable that the limitations on the amount of the rates and local cesses levied on account of local bodies, should be removed There need not be the least apprehension of any local body forcing up taxation to too great a height, while it is most desirable that enterprising local authorities should be given the opportunity of raising sufficient revenue for the discharge of their obligations

There is, however, no reason for supposing that the limitation on the percentage at which a holding rate can be levied has had any tendency to cause local authorities to have recourse to other forms of taxation which are less defensible from an economic standpoint as a matter of fact, the variety of taxation permissible under the Local Self-Government, Bengal Municipal and Village Self-Governments Acts is small, and generally speaking it has long been the practice for local bodies to utilize practically all the available methods of taxation even though the taxes may be very leniently assessed

The limitations on the amounts at which the tax on persons may be levied are stated in section 85 (*a*) proviso and in sections 89 and 90, Bengal Municipal Act. The limitation of the amount of tax payable by a wealthy man

is purely arbitrary, and since local bodies are now entirely under popular control, there can be no reason for maintaining these limitations.

Q. 117.—The practice in Bengal is not uniform. The range of purposes to which the augmentation grant, which is paid to District Boards by Local Government, may be applied, is so wide that the grant-in-aid tends to be regarded merely as an addition to the general fund of District Boards. Nevertheless recently Government have issued definite orders restricting the use of this grant-in-aid in 1924-25 when there was serious water scarcity, the District Boards were required to spend practically the whole of their grant on improving the water-supply. Generally speaking, the principle of earmarking provincial grants for particular purposes has always been in force in Bengal, thus special grants are given to District Boards to assist them in meeting the pay of their health officers, while another special grant is made on account of the vaccination staff Again, Government have recently offered recurring subsidies to District Boards for each new dispensary established in accordance with the conditions laid down by Government. Again, special grants have been made for opening classes to train village *dais* in the elements of midwifery In the case of *municipalities*, the principle of earmarking grants for special purposes is even more closely followed. Grants-in-aid are made by Government to assist municipalities in executing water-supply or drainage schemes, the Government contribution being ordinarily fixed at one-third of the total cost. As in the case of District Boards, Government grants are given to assist municipalities in meeting the salaries of their health officers or sanitary inspectors Specific grants are frequently given for the improvement of particular dispensaries or hospitals. In some cases the services of Government Assistant or Sub-Assistant Surgeons are granted free of cost to the local body at privileged rates.

There is, on the other hand, no earmarking where municipalities were [illegible]hat in other countries is regarded [illegible] town police, while the proceeds [illegible] municipalities (or district boards) [illegible]ar objects, although the maintenance of the ferry and its approaches is placed on the local body concerned.

On the whole, I would favour the continuation of the existing system. *The grant-in-aid system gives Government a very effective method of exercising* some indirect or external control over local administration in regard to which they no longer have internal control. The policies of local bodies in Bengal are apt to be inconsistent and ill-considered, and Government have the opportunity of directing or focussing greater attention on branches of the administration which as a rule or by some chance may tend to be neglected, if Government can stimulate local activities by the offer of a grant-in-aid for the improvement and development of that particular branch.

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if Government were to surrender any existing provincial receipt such as, *e g*, ferry proceeds (which has been done in Bihar and Orissa) there is a great deal to be said for Government earmarking such additional revenues for particular purposes. This external control of policy by means of grants-in-aid has never been objected to by local bodies, and it would be most unwise in view of the frequent inefficiency of local administrations to surrender a power to which no exception is taken.

The Government of Bengal have already been confronted with difficulties in the allocation of their grants between different local bodies. This difficulty arises in connection with a grant-in-aid for a particular project, only in so far as it is incumbent on Government to consider when making such a grant, what demands can reasonably be made on provincial funds by other local bodies. In the case of grants offered equally for particular purposes to local bodies, such as, *e g.*, a quota of the cost of maintenance of every new

dispensary opened by local bodies, subject to some total maximum expenditure, there is little difficulty since Local Boards have to be stimulated rather than curbed in expansions of this kind, and the grant-in-aid can therefore be given to every local body which applies for it

Difficulties arise in connection with the distribution of the augmentation grant amongst District Boards This grant is proportionate to the amount of road cess collected in any particular district on the principle that this amount is some criterion of the extent, population and needs or cost of administration of a district The result is that wealthy District Boards receive much larger grants than the Boards of small districts where the revenue from road cess is low In the latter districts the provision of services by local bodies may be much less adequate than in the larger districts, indicating that the criterion though simple and convenient is by no means one on which too great reliance should be placed I am disposed to think that it would be more satisfactory if greater use were made of the special knowledge of local needs possessed by Government officers such as, Divisional Commissioners District Magistrates and Subdivisional Officers It is thought that Government for (say) a quinquennium might roughly estimate the comparative needs and backwardness of each Division and in accordance with this estimate might allot to the Commissioner of each division a suitable portion of the augmentation grant for disbursement among the different District Boards in the division after the needs and resources of each district have been thoroughly considered in consultation with other local officers and with the District Boards,

Frequently Government have attempted to stimulate local enterprise by making their grants bear some ratio to the amounts raised locally for any particular purpose For years past Government have attempted to secure some improvement in the rural water-supply but without success Generally speaking, they have adopted the principle that a local need such as this should be provided from local resources, and they have therefore offered from time to time to make contributions proportionate to the amounts raised locally for the purpose—subject always to certain maxima so as to prevent an unduly large and indefinite expenditure from provincial funds This principle of self-help has also been adopted in connection with the educational policy of Government in promoting primary education

These two principles, *viz*, (1) earmarking and (2) self-help, should in my opinion be adopted as a general guide in determining what assistance should be given to local bodies from provincial revenues

Q. 160.—Yes

Q. 161.—The system seems satisfactory, but the Local Self-Government Department is of opinion that there is no longer any reason for imposing any limitation on the rate at which road and public works cess is levied There is something to be said for devising additional taxes, such as a vehicle tax or a tax on business in rural areas, but the surcharge referred to in the question should remain as the principal source of revenue

Q. 167.—This question relates to Central or State control of the process of assessment but the contention raised is equally true in reference to assessment at present controlled by local bodies No reform in local administration is more urgently necessary than to secure fearless, impartial and uniform assessments. There seems no prospect of this being done except by means of a Government agency performing this duty in independence of the municipal commissioners, who would merely pay for the services of such an agency This point is raised in question No 171, and it may be stated with absolute definiteness that local assessments should be made by officers who are independent of the suffrages of the persons whom they may assess

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If the provincial grants-in-aid are unconditional and not earmarked, they may in the opinion of Government be misapplied like other funds within the absolute discretion of the local body. Where Government diverts revenue
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mi[illegible]
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if [illegible]
e g [illegible]
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The President Q—You are the Secretary, Local Self-Government Department?

A—Yes

Q—You were previously Chairman of the Calcutta Corporation?

A—I was acting as Chairman for some time and I was Deputy Chairman for some years.

Sir Percy Thompson. *Q.*—Practically the only local tax in Bengal outside municipal areas is the local cess?

A.—Yes

Q—It is a maximum of one anna in the rupee of rental value?

A—Yes

Q.—It is paid by the landlords?

A—Yes.

Q—What is the provision for the recovery of the same from the tenants? That is, assuming land revenue to be Rs 200 and the rent Rs 1,000, he is charged 800 annas Can he recover any part of the 800 annas that he pays from the tenant?

A—I am afraid I am rather vague about the provisions fixing the incidence of the cess on landlords and tenants I have had very little district experience for some years, and am not well up in revenue work.

Q—There is a provision in the Cess Act for its recovery?

A—Yes

Q—We have been told that the landlords and the tenants do not take any notice of the Cess Act and the amount which the landlord recovers from the tenants varies from *nil* to something greater than the actual cess.

A—It is commonly stated that the landlord sometimes does get more than his proper due from the tenant

Q—That is a matter for the tenant If it is an illegal extortion, it is for him to protect himself.

A—I have not for some years had to deal with cess from the point of view of a Revenue Officer In the Local Self-Government Department we are merely concerned with the funds which are handed over by the Collectors to the District Boards, and we are not concerned with the method of collection

Q—You are concerned with the expenditure side of the cess?

A—Yes the collection of the cess is not our business We are interested *in so far as the income of the Boards is concerned and we try sometimes to* hurry on revaluation The Board of Revenue is rather behind with its programme of revaluations because it is difficult to make a revaluation except where there has been a survey and settlement They prefer to keep the revaluation standing over until they survey and settle the district

Q.—*Is there any tax in Bengal which hits the non-agriculturist?*

A.—The non-agriculturist residing in a village, for instance, the *Bania* or village trader or others who may not have land, is still assessed to the chowkidari tax Some years ago there was the license tax similar to the one we have in Calcutta on trades and professions but that was abolished.

Q—But the chowkidari tax is paid by the agriculturists as well?

A—Yes

Q—So does it not amount to this: that the agriculturist pays a sort of double tax while the non-agriculturist pays one?

A—Yes in the proposals for amending the Local Self-Government Act I suggested that we should have a license tax, as there are a certain number of small traders or others in villages who have income quite independent of agriculture and they ought to pay much more than they do at present.

Q—By license tax you mean a rough form of income-tax?

A—It is a kind of local income-tax such as is in operation in Calcutta. For instance, professional singers or lawyers or doctors or street vendors all pay a tax graduated generally according to their class or the status of the trade or profession—in addition to any other tax they may pay.

Q—I found in Bombay that very few of them were prepared to take advantage of such a power When I introduced the Bill for giving funds for purposes of education, there was a demand that there should be in the Act a compulsory provision to increase the cess but not to leave it optional to the District Boards to increase it.

A—We have rather a similar provision here where we say that the cess should not be levied below a certain limit except with the consent of Government I do not know whether the levy of the cess is the best method of local taxation for Bengal or whether an increase in the cess would operate harshly on the people but I think the general impression, so far as I have discussed the matter with Revenue Officers, is that some increase in the cess is feasible

Sir Percy Thompson *Q*—What strikes me is this that if, as a matter of fact, the landlord cannot throw the burden on the tenant, any additional cess would wrongly fall on the landlord, because *qua* landlord he does not benefit by the cess he pays

A—Yes He is often very badly off owing to the sub-infeudation. There are enormous numbers of landlords who receive a most meagre income from their landed property and it is essential that further taxation should go down to the cultivator

Q—It would be necessary to make a specific provision to pass it on to the cultivator, though as a matter of convenience you collect it from the landlord?

A—Yes it might be necessary to give landlords easier redress against tenants from whom they could not realize the due proportion of the cess

Dr Hyder *Q*—On the other hand you have got so many landlords who expect the tenants to pay all these It is thus distributed on so many people and the tenants might not have anything left over

A—I am not competent to give an opinion on the capacity of the raiyat to pay heavier taxes, but the general impression that one has got is that there is some reserve of taxable power in respect of the cultivator. After all, the incidence of cesses is very light in Bengal at present and the amount which is added to it by the chowkidari tax is very small.

The Hon'ble Sardar Jogendra Singh. *Q*—Have you ascertained in any way that there is a reserve power?

A.—No, I merely state the impression one has gained from one's *mofussil* experience and conversation with other officers.

Q—Not based on any figures?

A.—No

The President *Q*—You say the revaluation of cess is very much in arrears

A—Yes. There are certain districts in which revaluations have been recently made, but it is held up in other districts owing to survey and settlement operations not having been begun.

Q—We were given some figures yesterday regarding the very large increase in cesses and the rental valuation on which they are based. Can you tell us whether cess on profits on mines are reckoned as cesses for that purpose?

A.—It must be included in the statement of road and public works cess shown in our annual reports.

Q—There are no subdivisions of the local rates?

A.—The road and public works cess are the only local rates in rural areas As the cess is levied on the profit of mines as well as on rentals they must have come under assessment

Sir Percy Thompson. *Q*—Is not the cess levied on the annual value and is not the annual value defined as profits?

A—Yes, it is rental in the case of lands.

The Maharajadhiraja Bahadur of Burdwan. Q.—What the mining company has to pay towards the Mines Board of Health is in addition to what they pay by way of road and public works cesses?

A.—That is so in the case of the Asansol Mines Board of Health.

Q.—That would be double cess?

A.—Yes

Q.—The road and public works cess will each be half an anna in the rupee and the assessment for the Mines Board of Health is on the profits?

A.—Yes My recollection is that the Mining Settlements Act provides in general terms for the assessment of a rate and that under statutory rules the Board assesses on the output from the collieries

The President. Q.—Would you let us have a copy of the statutory rules?

A.—Yes.

Q.—Under the column 'Local Rates' you show 'Village Service Fund' What is that?

A.—The Village Service Fund must I think be the receipts from *chowkidari chakran* lands

Q.—Do they come in to the District Board?

A.—No

Q.—What is the land revenue of the District Boards?:

A.—I am afraid I don't remember I will make a note of it and let you know. (*vide* Annexure.)

Q.—We had a table made showing the average incidence of taxation in the provinces and Bengal comes very low We do not know whether any tax has been omitted

A.—The chowkidari tax is not shown in the statement

Q.—Is it under section 118 of the Act?

A.—That deals with the Union Committees It is comparatively unimportant as compared with the Union Boards We have about 1,300 Union Boards who realize about 16 lakhs of rupees About 11 lakhs of that is realized for the payment of chowkidars and 2 lakhs come from chowkidari chakran lands That is spread over ten million people and it gives an incidence of Re 0-1-9 after deducting the chowkidari chakran receipts which cost the people nothing By analogy Re. 0-1-9 might be taken as the average incidence of local taxation in other rural areas in Bengal, where there are not yet Union Boards—in addition to the cesses Chowkidari tax is of course collected in such areas and it accounts for the major portion of the local receipts in the Union Board areas, for which we have exact figures. My point is that I have no figures* showing the total amount collected in Bengal as chowkidari tax, but the Union Board areas comprise a quarter of the population of Bengal and as the incidence is Re. 0-1-9 in those areas, we may take that figure as the incidence in the case of the chowkidari tax. Union Boards also tax to a slight extent for purposes of sanitation, but the amount is trifling, about 3 lakhs, and does not upset the analogy.

Q.—Does the 57 lakhs cover the 3 lakhs?

A.—No.

Q.—Does the 3 lakhs come in anywhere?

A.—The budgets of the Union Boards are subject to the sanction of District Boards, but their accounts do not appear in the statements shown in the District Boards Administration Reports

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*I have since collected certain figures showing the amount of chowkidari tax realized in 1923-24 both in Union Board and non-Union Board areas in Bengal These figures show that the incidence of chowkidari tax in non-Union Board area is two annas four pies and that in Union Board area is one anna eleven pies.

Q.—Just like the chowkidari tax which does not appear in the statements of Government revenue?

A.—Yes.

Q—Up to 1884 rural municipalities paid for their police by a rate?

A.—Yes such municipalities up to 1884 were liable for police charges.

Q.—So that up to then they paid for the police but Calcutta paid nothing?

A.—Yes.

Q.—Originally there was a police rate in Calcutta?

A—Yes

Q—In Form No. II there is a receipt under the head Cattle Trespass Act. Have the Local Boards anything to do with the administration of that Act or is it administered by the police?

A—The pounds are administered by the District Boards and the trespassing cattle are brought in to the pounds and the receipts go to the District Boards.

Q—Who keep the pounds?

A—The District Boards

Q—We were told the other day that the District Board has nothing to do except to take the net receipts.

A—The District Boards administer the pounds, but it is true that they usually lease them out to contractors and take little interest in their management

Q—The reason why I was pursuing the subject was that elsewhere it has been the policy to put the whole net receipts into improving accommodation and erecting new pounds.

A—It is not so here. The pounds are almost everywhere bad, both as to accommodation and food. The pound keeper makes as much as he can and the District Board tends to wash its hands of responsibility for the proper management of the pounds When the District Magistrate or District Board Chairman discovers anything particularly scandalous he draws attention to it, but receipts (the rents paid by the lessee pound keepers) are not earmarked for improving the pounds

Q.—Are not nazul lands a source of income in some places to the Boards?

A—Generally speaking, no receipts under this head appear to be shown in the statement But I will look the point up

Q.—There is an item for over a lakh of rupees under other receipts from local rates from the 24-Parganas.

A.—It may have something to do with the Panchannagram area in the vicinity of Calcutta. I will find out exactly what the item is.

Q.—Is a pilgrim tax levied?

A.—In certain places where there are large fairs it is proposed to levy such a tax In fact we already levy it at the Sagar Mela without statutory power, *by means of a surcharge which the steamer companies collect on* their tickets at Government's request, handing the proceeds of the surcharge over to the District Board

Q—On the subject of tolls you say that there has been a tendency among local bodies in Bengal to levy tolls on bridges more freely than Government considered desirable when District Boards were presided over by District Magistrates In Bihar they have a rule to collect only enough to pay for the construction of the bridge They don't allow it simply as a tax on traffic

A—The Government of Bengal have always been suspicious of tolls as being a possible means of extortion and they have laid down executive orders with rigorous conditions regulating the levy of tolls. They are only to be levied where the work is of a certain magnitude and for a certain number of years *Sometimes it was difficult to meet all those conditions.* Many

of the District Boards are now anxious to levy tolls in cases where the old rules would not apply. We have attempted once or twice to meet their wishes by a liberal interpretation of the rules which are still in force

Q.—Every toll has to come up to Government for sanction

A.—Yes

Q—You say that there is a maximum limit to the amount of taxation levied on account of local bodies.

A.—Yes

Q.—You consider that it might be removed?

A.—Yes. I do not see why there should be any limitation on these local bodies I do not think they would abuse their powers

Sir Percy Thompson. *Q*—With regard to the grants I gather from your notes that the tendency has been for these grants to simply go to the general purposes fund but the letter of the law insists on their being utilized for particular services.

A—As I said in my written note grants made to municipalities have always been earmarked for particular purposes

Q.—That is only for capital works?

A—Yes When the District Boards were given augmentation grants we issued circulars requiring that money should be spent for certain purposes such as water supply, sanitation, etc. The Boards have not always strictly followed these orders, which we have always issued in a general form and not in a mandatory form.

Q—Now do you insist on their being used for particular purposes?

A—Under the Ministers we have taken perhaps a stronger stand For instance, for improving water-supply strict orders were issued two years ago that the augmentation grant was to be spent mainly on water-supply and we took steps to see that that was done My impression is that it will be done more and more in the future

Q—If a grant is not spent for the purpose intended?

A—We would refuse to give one the following year

The President *Q*—Was it not a fact that in 1910-11 very large sums were given as grants when the Government of India were distributing the opium surpluses and the provincial Governments were distributing very large grants to the District Boards, etc.?

A—I was not in the department then, but I think, a great deal of money was given to be spent on education

Q—Did not the Boards arrive at a position when they opened a very large number of schools and when the grants were stopped, they were unable to carry on those schools?

A—I have not seen such cases in Bengal

Q—The grant is a proportion of what the Board itself spends for any purpose?

A—The augmentation grant is 25 per cent of the road cess which the District Boards levy

Q—So that the poorer districts not only collect less cess but obtain less in the way of grants?

A.—I said in my note that we were considering the question of adopting the Bihar system, under which the augmentation grant is allotted according to the needs of the different divisions, but I have just seen the replies from local officers and local bodies and there seems to be a good deal to be said in favour of the present automatic distribution of the grant, proportionately

to the amount of cess collected in any district. The larger districts which collect more cess, usually have larger responsibilities. On the other hand, there are many other districts which remain undeveloped which ought to be helped.

Q.—You give one-third of the cost of water-supply scheme in municipal areas?

A.—Yes.

Q.—How many municipalities have been able to undertake schemes on that basis?

A.—Practically all the important municipalities in Bengal have now a piped supply of water. The average cost might be about 2 lakhs. There are some small municipalities which may never be able to afford such a supply.

Q.—What sort of distribution system is there for these piped supplies?

A.—There is a piped supply in the streets and a limited number of house connections. We always discourage house connections because it leads to a lot of waste. Municipal Commissioners like to give house connections freely. Those who can afford such connections clamour for them, and as a fee of Rs. 200 is often charged for a connection, the municipality gets a considerable sum, though it is not a recurring receipt.

Q.—You have not got the meter system?

A.—We try to insist on metering of all private supplies, but in most municipalities there is opposition on the part of consumers to metering.

Q.—You have schemes costing about 50 or 60 lakhs of rupees also?

A.—No. The Titaghur and Bhatpara sewerage and water-supply schemes will cost about 18 lakhs each, but about two-thirds of the cost was contributed by the mills. The Dacca sewerage scheme is estimated to cost Rs. 40 lakhs but the portion which is under construction will cost only Rs. 25 lakhs.

Q.—How many piped water-supply schemes have you? Can there be as many as 50?

A.—No, there would not be as many as that.

Q.—I suppose the municipalities have to borrow the other two-thirds, Government making a grant of one-third?

A.—Ordinarily they borrow, but often considerable contributions are made by local men. Frequently also the District Boards contribute.

Q.—Can the average municipality command a loan of 20 or 30 lakhs of rupees for their water-supply?

A.—No mofussil municipality except Howrah could finance so large a loan. Few could finance a loan of more than 2 lakhs. They moreover find it difficult to maintain a water-works or drainage system properly. Sometimes they have not got the money to employ an expert staff which is costly. Most municipalities are extremely poor.

Q.—Grants and loans are paid out of general provincial revenues?

A.—Yes.

ANNEXURE.

Note explaining certain figures in Form II showing the income of District Boards in Bengal during 1922-23.

Column 5. Other land revenue receipts.—Out of Rs. 23,614 shown in this column Rs. 17,951 represents tax realized by 40 Union Committees under section 118C of the Local Self-Government Act and the balance (Rs. 5,663) represents rent of tanks and fisheries in road side *khals*, ditches, etc. The

incidence of taxation in Union Committees imposing tax under Section 118C comes to one anna only.

Column 8. Village Service Fund—Rs 81 shown against Hooghly represents process fees under the Cess Act and should have been shown in column 9. Except the Village Chowkidari Fund, with which District Boards have no concern, there is no Village Service Fund in Bengal.

Column 9 Other receipts from local rates—

(1) Rs. 93,742 shown against 24-Parganas represents the Drainage cess levied under the Bengal Sanitary Drainage Act, 1895 for recovering the cost of the Magrahat Drainage.*

(2) Rs. 1,787 shown against Malda represents tax under section 118C of the Local Self-Government Act realized by a Union Committee. This should have been shown under column 5 other land revenue receipts

(3) Rs 815 shown against Midnapore represents fine for not submitting road cess returns, sale proceeds of forms, furniture, etc of the cess revaluation office and other miscellaneous receipts under the Bengal Cess Act, 1870

Columns 55 and 56.—Sale and rent of *nazul* (escheated) buildings and lands.

Nazul means property which falls to the State for want of heirs In Bengal such property is managed by the Collector under the control of the Board of Revenue and the proceeds credited to Government These columns are therefore blank in Bengal It appears that in the Punjab, United Provinces and Central Provinces such property has been given to District Boards and a considerable amount is realized by them

Pounds—Pound receipts are shown in column 16. By Notifications issued in 1887 the functions of the District Magistrate under Chapters II and III of the Cattle Trespass Act 1871, were transferred to District Boards in Bengal The surplus under section 18 of the Cattle Trespass Act form part of the District funds (*i e*, District Board funds) under section 52 (3) of the Local Self-Government Act, 1885 By Notifications issued in 1913-14 the functions of the Magistrates under Chapters II and III of the Cattle Trespass Act were transferred to Union Committees in respect of pounds situated within their areas and the whole of the surplus accruing under section 18 of the said Act in respect of such pounds were placed to the credit of the Union Committees fund Receipts from pounds situated within the areas of District Boards and Union Committees are shown in column 16 Where Union Committees have been replaced by Union Boards (a local authority created under the Bengal Village Self-Government Act, 1919) the surplus from pounds situated within their areas have been credited to Union Board funds These are not included in the District Board accounts

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*This scheme was undertaken and completed under the provisions of the Bengal Sanitary Drainage Act, 1895 (of which a copy is enclosed) for the improvement of a large tract of land containing more than 800 villages covering an area of 283 square miles situated within the Diamond Harbour Subdivision of the 24-Parganas The scheme was undertaken by the Public Works Department, at the instance of the District Board of the 24-Parganas It was financed by grants and loans from Government, the grant amounting to Rs 5,00,000 and the loan of Rs 15,73,091 The total cost of the scheme amounted to Rs. 20,57,187 which together with interest on the loan is recoverable from the tract benefited by the scheme by the imposition of a drainage cess for a period not exceeding 30 years payable by those liable to pay road cess The rate of the drainage cess was determined by the Collector at Rs. 4-7-7 on every rupee paid as road cess. (Sec. 21).

Written memoranda of witnesses not examined orally.

Written memorandum of Raja RESHEECASE LAW, C.I.E., M.L.C., President, British Indian Association, Calcutta.

The theory of taxing agricultural income in India, specially in Bengal, is absurd and most unpractical, as it is based on a false analogy. The rent paid by the owner of a factory cannot be compared with the rent paid by an agriculturist The productivity of the land is very limited, whereas that of a mill is enormous. In India there is a great difference between the owner or manager of a factory and an agriculturist. The latter is ignorant, poor and quite helpless to take advantage of the modern scientific methods of cultivation But the former is educated and has considerable resources to develop his scheme Moreover, a manufacturer has not practically to depend on nature for getting increased production from his mill

In India specially in Bengal irrigation is inadequate. Monsoon is irregular. People are poor, ignorant and malaria stricken. The people have not yet fully realised the advantages of agricultural banking and co-operative credit societies Hence it is not practicable to expect a steady output from land from year to year "It seldom happens in any year that a portion of the province (Bengal) is not adversely affected by some natural calamity which not only causes immediate distress, but also retards the progress of the area affected for some years" (Land Revenue Administration, 1922-23, p. 1). Besides these the weather conditions upon which to a great extent depends the condition of the people of Bengal are not always favourable to the outturn of crops. Thus we see that agricultural income is subject to continual fluctuations owing to the vagaries of the mon[illegible] other chances which influence prices of [illegible] about three-fourths of the population of [illegible] to the circumstance that agriculture is the most profitable concern but because no other career is open to them. So they quite helplessly stick to the stereotyped occupation even when their incomes from land falls far short of the normal return to labour and capital.

Superficial observers very often rus[illegible] culture should be taxed because there [illegible] countries It is needless to point out [illegible] will take a long time to place India [illegible] countries It should be stated here that there is no land revenue in England. The lack of scientific education and inadequacy of agricultural capital are retarding the growth of agriculture. The annual income of a Bengali agriculturist as has been calculated by Mr. Jameson, the head of the Survey Department of Bengal, is Rs. 365 a year, which is surely not an amount on which a tax can be levied. Taking a family consisting of five heads the fooding expense and the maintenance charge of agricultural cattle will amount to at least $5 \times 6 \times 12 + 70 =$ Rs. 430 Besides they have medical, clothing, and other necessary expenses The poverty of the Indian agriculturists is proverbial, and it is they who are the first to feel the pinch of any economic distress All proposals to disturb the existing condition in order to enhance Government income must be made after a cautious and thorough enquiry. Higher wages in centres of manufacture have already drawn a large number of labouring class which has created a great labour difficulty in agricultural season. This clearly shows that agriculture is not a paying concern at present We are deadly against placing any further burden on the peasants. They are the mainstay of the country and they should on no account be subject to taxation as has been suggested in the questionnaire.

A proposal has been made by theorists to do away with fragmentation of holding by dividing all agricultural land into economic holdings. With reference to existing conditions it is impossible to translate the theory into practice. The effect of such a proposal would be to put a stop to liberty of free use of the land and would greatly handicap proper cultivation.

Apart from this there are low lands, high lands, lands near water, lands near the village marshy lands which have their special advantages and disadvantages, for various kinds of products These are circumstances which should be taken into consideration and they do not go to show that if economic holdings be formed they would be at all advantageous to the agriculturists. Improvement of the condition of agriculture on which rests the prosperity of the land depends on other measures far more effective and feasible No farmer is so foolish as not to know his own interest. He only lacks capital and adequate scientific knowledge of cultivation Let him be provided with these and he will devise his own means as to how best to cultivate his own lands This will solve the question far more effectively than any theoretical plan put into operation.

It is alleged that the long chain of sub-infeudation in permanently-settled areas eats up the major portion of the payments made by the cultivators, and only a small part of it reaches the Government. It is true to a great extent, and in theory it would be better no doubt if the receipt from the cultivator instead of being shared by the middlemen, benefits the peasantry and the Government But so long as some right to property is vested in anybody, it would be illegal to restrain him from transferring a part of that right to somebody else in order to be free from some worry and responsibility. Sub-infeudation is a sure and easy and less expensive method of collection of revenue

Thus sub-infeudators have some service in society. Yet the more the middleman is eliminated, the more the economy is effected in society, may be theoretically true but there are difficulties in the way. The Select Committee of the House of Commons stated that the zamindar's profit cannot be interfered with " unless the Government should either by public or private purchase, acquire the zamindary tenure, it would under the existing Regulations, be deemed a breach of faith without the consent of the zamindars to interfere directly between the zamindar and raiyats for the purpose of fixing the amount demandable from the latter under the settlement of 1791—93 " (see Parliamentary Blue book, 1832, p. 82). If it be the intention of the Government to do away with the system of sub-infeudation as has been suggested by the doctrinaires they should be prepared to purchase the proprietory rights of the zamindars, but that would be quite impracticable under the present circumstances of the public finance.

Apart from what has been shown above, the people have been subjected to a very burdensome system of direct and indirect taxation. Many important indigenous industries like cloth have died out in Bengal in competition, of course, with the European traders. The people are to send money out of the country to purchase these necessaries. In matters of resources the country is lagging far behind the European countries for want of education and scientific improvements, but she is to bear the burden of a very expensive system of Government. The result of heavy taxation has been that a large majority of the people are ill-clad, ill-fed and ill-housed. About 71 per cent of the net population die before they are 30 and 93 per cent before they are 50. Under the circumstances stated above, we strongly oppose imposing any tax on agricultural income

Attacks are often made on the Permanent Settlement, as if pledges by Government can be given or broken according to the exigencies of time and sweet will of the doctrinaires. The proposal to set it aside can come only from those who have no experience of what are the far-reaching effects of Government pledges and guarantees These people forget under what circumstances the Government of the time was compelled to declare the Permanent Settlement. The depleted coffers of the East India Company, the after effects of the terrible famine of 1770 which swept away one-third of the population of Bengal and the failure of all sorts of financial experiments by Lord Clive,

of the old zamindars in no time. The new zamindars who having faith and unbounded confidence in Government pledge purchased their estates and by dint of prudence, economy and at an enormous expenditure have improved the agricultural condition of the land and has thereby increased the value of the land and made the realization of Government revenue more secure. Even after so much trouble and expense the average income of a Bengal zamindar is about Rs 22 as we get the figures by dividing the net amount intercepted by the zamindars and middlemen by the number of estates (*i.e.*, Rs. 9,86,61,000 divided by 3,556,399 estates, see Land Revenue Report of Bengal, 1918-19).

The argument that the income of the Government in temporarily-settled areas is greater than what is obtained in permanently-settled areas falls to the ground if we compare the proportionate revenues in different provinces in relation to areas

Area	Revenues
Sq miles	Rs.
Madras 123,541	5,13,84,419
Bengal 76,843	2,70,62,807.
Bombay 123,541	4,31,65,227.

It should be pointed out in this connection that there are about 30,676 land revenue free estates in Bengal. The fact that they do not pay a single farthing to the State partially accounts for the comparative smallness of the land revenue in Bengal.

Written memorandum of Raja RESHEECASE LAW, C.I.E., M.L.C., Calcutta.

Qs 1 and 2 —The data referred to in Annexure A do not furnish us with accurate informations regarding the wealth of the country. They are more or less guess works, hence subject to overestimation or underestimation. The agencies through which the materials are collected are quite unequal to such a serious and complicated task. So far as Bengal is concerned there is no accurate survey to measure the value of the agricultural produce, nor is it possible to do so, as the people have to depend on monsoon and suffer from flood over which they have no control. The impracticability of the idea was admitted by the Government of India in their Land Revenue Policy at page 15 where it is stated that " The Government of India believe it to be an entirely erroneous idea that it is either possible or equitable to fix the demand of the State at a definite share of the gross produce of the land. There is great practical difficulty in ascertaining what the average produce is. It is dependent upon a number of varying factors, such as the industry and resources of the cultivator, the nature of the crop, the capacity, security, and situation of the holding, and the chance of the seasons. The share of the gross produce which a crop can afford to pay must stand in close relation and in inverse proportion to the amount of expenditure which has been required to grow it, and this will vary very greatly." Had there been a network of irrigation and absence of flood, an average estimate of agricultural wealth might have been possible The proverbial illiteracy of the Indian cultivators has also to be fought out of the land. Without their intelligent co-operation, no accurate estimate is possible.

As regards industries and other business concerns it is possible to form a rough estimate of such wealth, as the managers and directors thereof cannot

do without accounts and such accounts may, to some extent, be trustworthy guides

Q 4.—Statistics of income-tax and death duties cannot help us to make *even an approximate not to speak of accurate*, estimate of national income as incomes from land in permanently-settled areas and income-tax free bonds are left out of account. Apart from that the aggregate of small incomes *below the taxable standard is not a very small one. If all these are left out*, the estimate of national income will be inaccurate and untrustworthy.

Q 4.—Unless ignorance be dispelled from the land no suggestion would be of any effect to come to reliable statistics. The only agency from which some work may be expected is the Union Board, but it is neither in existence everywhere nor is it always reliable.

Q 5.—Such a census would be of no benefit from the point of view of taxation, as in India, especially in Bengal, we cannot rely on a census of the production of a particular year as people have to depend on nature over which human beings have no control (*vide* answer to Qs. 1-2).

Q 6.—This will not help us in forming a correct estimate of national income. Besides the big employers of manual and clerical labour there are private persons who employ such labour which we cannot neglect as the number is very large. As regards wages and conditions of labour we cannot generalise as there is no uniform standard. Conditions vary according to local and seasonal demand and supply.

The statistics of prices based on the data supplied by the trading proprietors will never be accurate unless proper arrangement be made for taking into account the volume of private sale and purchase for domestic consumption of things locally produced.

Having regard to the above remarks it will serve no useful purpose even if we get correct information regarding rentals of house property by legislation.

Q 7.—If the estimates be not accurate they will not help us in relation to taxation.

Q. 8.—It is impossible to go through the books and reports referred to in Annexure C. But in view of what has been said above, the details, however voluminous they may appear, cannot help us to come to any trustworthy conclusion.

Q. 9.—Having regard to the social and religious conditions of the people of this country, it is impossible to divide them into classes according to western ideas.

Q. 10.—The land revenue of Bengal apart from fixed collections and collections from Government estates includes about Rs. 7,00,000 under items which do not fall within the definition of a tax. (See revised estimate of the Budget of Bengal, 1923-24.)

Q. 12.—Realisations of revenue under drift, etc., may be considered to be tax. (*Vide* the Budget of the Government of Bengal, 1925-26, p. 16.)

Q. 13.—[illegible] semi-commercial undertaking the [illegible] cial return, so that its educative v[illegible] oly profit will appear to have an ele[illegible] ...

Q 14.—Yes.

(*a*) Terminal tax on the railways.

(*b*) The items referred to in this question have elements of taxation so far as they come under monopoly profit.

Q. 15.—*The adequacy of the charge is known to the department*, but so far as my information goes, if the rate be increased heavily it will cause a great hardship to the poor cultivators. This department should not be run [illegible] ork will increase the loss [illegible] It is a productive work [illegible] So apart from establishment charges a bare return on the capital invested will be quite adequate.

of the old zamindars in no time. The new zamindars who having faith and unbounded confidence in Government pledge purchased their estates and by dint of prudence, economy and at an enormous expenditure have improved the agricultural condition of the land and has thereby increased the value of the land and made the realization of Government revenue more secure. Even after so much trouble and expense the average income of a Bengal zamindar is about Rs 22 as we get the figures by dividing the net amount intercepted by the zamindars and middlemen by the number of estates (*i.e.*, Rs. 9,86,64,000 divided by 3,556,399 estates, see Land Revenue Report of Bengal, 1918-19)

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Written memorandum of Raja RESHEECASE LAW, C.I.E., M.L.C., Calcutta.

Qs. 1 and 2—The data referred to in Annexure A do not furnish us with accurate informations regarding the wealth of the country. They are more or less guess works, hence subject to overestimation or underestimation. The agencies through which the materials are collected are quite unequal to such a serious and complicated task. So far as Bengal is concerned there is no accurate survey to measure the value of the agricultural produce, nor is it possible to do so, as the people have to depend on monsoon and suffer from flood over which they have no control. The impracticability of the idea was admitted by the Government of India in their Land Revenue Policy at page 15 where it is stated t
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State at a definite s
practical difficulty
dependent upon a number of varying factors, such as the industry and resources of the cultivator, the nature of the crop, the capacity, security, and situation of the holding, and the chance of the seasons. The share of the gross produce which a crop can afford to pay must stand in close relation and in inverse proportion to the amount of expenditure which has been required *to grow it, and this will vary very greatly.*" *Had there been a network of* irrigation and absence of flood, an average estimate of agricultural wealth might have been possible. The proverbial illiteracy of the Indian cultivators has also to be fought out of the land Without their intelligent co-operation, no accurate estimate is possible.

As regards industries and other business concerns it is possible to form a rough estimate of such wealth, as the managers and directors thereof cannot

Q. 25.—It is very difficult to draw a line of demarcation between those who as a custom do not use intoxicants and those who take intoxicants. Religion cannot be a criterion here, *e.g.*, the Muhammadans who are strictly forbidden to drink are often seen wet. Who will take account of what people do privately? It is a very delicate matter, so people will seldom declare themselves drunkards in order to avoid taxation. In my opinion, the excise duty should be included in estimating the burden of taxation.

Q. 26.—I do not subscribe fully to Adam Smith's theory, but I am in favour of indirect taxation. Tax on bare necessaries of life should be as light as possible.

Q. 27.—In my opinion, it is not possible for any member of the State to be exempt from indirect taxation.

Q. 28.—Yes.

Q. 29.—As taxation according to me must form the basis of representation, so the taxes imposed must be direct for the present as the condition of the people of this country is not such as to enable the Government to introduce the principle of manhood suffrage now.

Q. 30.—Poll tax should on no account be imposed. It will be very unpopular and create great hardship, as the average income of the head of the family is very small and the number of dependents comparatively larger.

Q. 31.—(3) The chowkidari tax in Bengal is not a capitation tax as it is imposed on owners and occupiers of buildings, huts and sheds.

(4) To levy a profession tax over and above the license fee which they pay in municipal areas would be unjust and inequitable.

Q. 32.—I consider profession tax on lowest classes more objectionable than salt and other taxes mentioned here.

Q. 33.—Income-tax and super-tax are already intolerable, and they should on no account be increased; on the contrary, they should be reduced.

Q. 34.—The present graduation is not at all satisfactory. It is too heavy. It should be lowered.

It would be folly to compare India with England. English social system is quite different from that of India. The joint family system among the Hindus in India imposes a great burden on the head of a rich family. He is to maintain a large number of relatives, grant pensions to distantly related invalids and widows, perform the *sradh* ceremony of the parents and marriage ceremony of the sons and daughters and defray the expenses for the worship of the family deity. Long standing custom cannot be abolished. An English gentleman who has not to undergo these expenditures and who is comparatively more rich can pay a high income-tax without murmur.

Q. 35.—No.

Q. 36.—No.

Q. 37.—The sooner it is abolished the better.

Q. 38.—No.

Q. 39.—No. The estimated gain of from 16 to 20 crores of rupees from taxes on agricultural income seems to me to be very much exaggerated. In Bengal any such imposition on agricultural income will amount to a violation of the solemn pledges given by the Government at the time of the permanent settlement.

Q. 40.—It has been pointed out more than once that Indian conditions cannot be compared with those of Europe. An European family is not so large as an Indian family. Annexure E tells us that a married Englishman is exempt from payment of taxation up to the income of £500 per annum, whereas an Indian to pay income-tax from £135 per annum. Again the conditions of 1903 are not applicable to 1925. Cost of living has been more than doubled. In our opinion incomes up to Rs. 2,400 per annum should be exempt from taxation.

Q. 41.—Not in a position to answer.

Q. 42.—A standardised form of account will not be possible in this country.

Q. 43—Trading companies and public bodies may not have any objection to the publication of incomes, but private persons will take it as an offence to be compelled to let the public know of their income. I am not in favour of appointing non-official assessors and commissioners as they will be looked upon as spies

Q. 44—I do not consider the reasons given in the question sufficient justification for discouraging the issue of income-tax free bonds.

Conditions in Europe and America are quite different. The Government knows the situation in India very well. If there be no allurement, the Government will not be able to raise a loan to any large extent. Income-tax-free securities are of very recent growth in India. Unstable war-time conditions compelled the Government to adopt this course However if the Government can get money without making the bonds income-tax free, so much the better. But I do not think this will be possible in troubled times. There is a good deal of difference between theory and practice.

Q 45—Stamps on coupons cannot be insisted on because it will cause a good deal of harassment to the poor holders of shares whose annual income is below Rs 2,000 If this system be introduced they will also have to pay the price of stamp This would certainly be unjust. If refund be allowed, the delay and harassment due to red-tapeism will make small capital too shy. It will seldom see the light of the market, and thereby deprive the limited industrial concerns of small capital. Share market will also suffer.

Q. 46.—I am against the system of double taxation.

Q 47—Existing arrangement in regard to the assessment on the previous year's income is good I do not support English system of assessment on three years' average.

Q 48.—I support the underlying principle of indirect taxation in the first quotation. But I do not approve of the second quotation as the means suggested will not have the desired effect. It will lead to trouble in the long run.

Q. 49—If excise duty be imposed on all the articles mentioned in this question, the taxation on the people will be very heavy, so I would advise to exempt the following if not all from excise duty:—

(*a*) Chocolates.
(*b*) Coals.
(*c*) Chewing gum.
(*d*) Electric power.
(*e*) Gas.
(*f*) Lighting matrials.
(*g*) Matches.
(*h*) Meat.
(*i*) Patent medicine.
(*j*) Petrol.
(*k*) Paraffin oil.
(*l*) Soap.
(*m*) Sauce.
(*n*) Sugar.
(*o*) Sweets.
(*p*) Tobacco.
(*q*) Yeast.

Q 50.—Progressive principle cannot be applied to indirect taxation.

Q. 51—No

Q 52—I cannot suggest any substitute for salt.

Q 53—As we have noticed before, India cannot be compared with any other country in the world as her people are lagging far behind in every respect, *viz*: finance, education, health, industry, etc. The present rate is not at all low, having regard to the average income per head of the population. It should rather be decreased than increased.

Q 54—Present system is good.

Q 56—No protective duty is required.

Q. 58—I support sale by weight.

Q 59—If uniformity of price in all depôts be aimed at, the Government may open depôts at principal centres.

Q. 60.—I do not think our illiterate cultivators will be able to take advantage of this system, hence I am not at present in favour of such a proposal.

Q. 61.—It is desirable that there should be prohibition in India, but it is not possible to give effect to it as a large number of people take opium and *sidhi* in small doses for keeping health. If prohibition is insisted on, it will hold out a premium to smuggling.

Q. 62—The abs
revenue system of
paying income-tax
question does not
near future.

Q. 63—We accept all the statements quoted here excepting the tax on country-made tobacco.

Q. 64—Excise duty on intoxicants may be increased a little more.

Q. 68.—Yes.

Q. 70—There would be no harm if tax on trees be increased.

Q. 71.—As I am not aware of the principle underlying the variety of present rates, I am not in a position to answer.

Q. 76.—Not in a position to answer.

Q. 78.—Tariff imposed for revenue purposes should cover all imports. No discrimination should be made.

Q. 83.—We favour *ad valorem* duties.

Q 87.—I am not in favour of substituting any of the taxes mentioned in the question for any tax levied at present.

Q. 88.—Stamp duty is already too high having been recently raised by 50 per cent by the Legislature. There is no room for further enhancement.

Q 89.—It is the paramount duty of the State to administer justice, and while doing so, only the cost of the courts, including pensions of officers and capital cost of buildings, should be realised.

Q. 90.—I do not agree to the theory of Hobson.

Q. 91—The transferor should be compelled by legislation to report, immediately after the transaction, to the office where the share is registered, the name and address of the transferee.

[illegible]

not be increased as it is already too high.

Q 94.—I am not aware of any other cases in which fees and licenses can be imposed.

Q. 95.—Although there was some protest against entertainment tax in Bengal, yet we do not think that the Legislature was wrong in sanctioning its realisation. Those who have money to purchase amusement tickets can well spare something for the State. However, if the Government can abolish it

to the farmer's keeping of accounts by them of their small concerns it is out of the question, because most of them are illiterate.

Q. 43.—Trading companies and public bodies may not have any objection to the publication of incomes, but private persons will take it as an offence to be compelled to let the public know of their income. I am not in favour of appointing non-official assessors and commissioners as they will be looked upon as spies.

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Conditions in Europe and America are quite different The Government knows the situation in India very well. If there be *no allurement*, the Government will not be able to raise a loan to any large extent. Income-tax-free securities are of very recent growth in India. Unstable war-time conditions compelled the Government to adopt this course. However if the Government can get money without making the bonds income-tax free, so much the better. But I do not think this will be possible in troubled times. There is a good deal of difference between theory and practice.

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Q 47—Existing arrangement in regard to the assessment on the previous year's income is good. I do not support English system of assessment on three years' average.

Q 48—I support the underlying principle of indirect taxation in the first quotation. But I do not approve of the second quotation as the means suggested will not have the desired effect. It will lead to trouble in the long run.

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(*g*) Matches.

(*h*) Meat.

(*i*) Patent medicine.

(*j*) Petrol.

(*k*) Paraffin oil.

(*l*) Soap.

(*m*) Sauce.

(*n*) Sugar.

(*o*) Sweets.

(*p*) Tobacco.

(*q*) Yeast.

Q. 50.—Progressive principle cannot be applied to indirect taxation.

Q 119—I am against the imposition of any fresh taxes similar to those enumerated in this question

Q 1[illegible] does not merit criticism as it is not accepted [illegible] Annexure E). I am against this as it would [illegible] About taxing agricultural income, see my [illegible] and 100

There is duty on probate and letters of administration. Imposition of death duties would be unjust (see my answer to Q 137).

Amongst the Hindus there is no registration of marriage.

Import duties imposed on motor cars, patent medicines, etc., are already very high They cannot bear any further taxation.

The idea of levying a tax on every inhabited dwelling house and dowry, and abolishing land revenue is simply ridiculous.

Q 121—I do not agree with the statement The country-made tobacco is almost a necessity to the poor peasants It is not so harmful as other intoxicants

Q 122—(1) As the article is produced very extensively, it is very difficult to estimate an accurate acreage (2) The tendency in modern time is to discourage monopoly So it should be left to private enterprise as at present. (3) For reasons stated above, we cannot support monopoly

Q 123—No

Q 124—As I favour no taxation and monopoly in tobacco, I do not advocate any control

Q 125—In view of what has been said above, this question does not arise.

Q 126.—No.

Q 127—It would be very difficult to prevent smuggling.

Q. 128-131—In view of what has been said above, these questions do not arise

Q. 132—I am against this proposal, and it is not easy to fix any rate.

Q. 133—I am against imposition of any tax on tobacco. But if it be imposed, it must be *ad valorem.*

Q 134—If export duty on cigar be increased it will affect export, and the extent will depend on the amount of duty.

Q 135—Excise duty will handicap a growing Indian industry.

Q. 136.—As I am against taxing country-made tobacco, this question does not arise.

Q. 137—The present tax on property changing hands at death, as imposed by probate and letters of administration, is already too high. English system of death duty cannot be imposed here

By the law of primogeniture, property passes to the eldest heir without any fragmentation, but in India there is fragmentation which renders the successors poor.

English people live long lives whereas Indian life is very short, so succession in England takes place at long intervals but in India succession takes place at short intervals. If there be in England payment of such duty thrice in a century, in India it will have to be paid at least 7 times if not more. If introduced in India, it will swallow the whole property in less than half a century.

In England there is no joint family, but in India there is joint family which enjoins on the head of a rich family the charge of maintaining and educating even the distant relatives.

A death in a Hindu family imposes a socio-religious duty requiring heavy expenditure. The Brahmin Pandits depend much on the gifts on such occasion. These things are unknown to English people and English economists.

The marriage expense of a Hindu girl is far more greater than of an English bride

In a Hindu family guided by Mitakshara law, the right of a son accrues on his birth which is not known in England

Tols, temples and other works of public utility are financed by the heads of rich families, but if they are impoverished by the imposition of heavy death duty, such noble works will die of themselves.

Muhammadan Law enjoins a greater dismemberment of the property as apart from sons, daughters and other female relatives also inherit If the small estates be charged duties, they will disappear soon.

For the above and other various reasons, the existing death duties should not be increased nor a separate death duty be imposed

Qs. 138 and 139 —These questions do not arise in view of what has been said above (See my answer to Q 137)

Q 140.—Not appropriate to India.

Q. 141.—Not appropriate.

Q 142.—This question does not arise. (See my answer to Q 137.)

Q. 143.—I fully agree with the views expressed by Sir James Stephen. Both the smaller as well as the larger proprietors have difficulties, so it should not be levied

Q. 145 —I am not in favour of such taxation.

Q 147 —I do not consider the combination as a suitable basis. Under the present constitution of India, item (1) seems to be the best But this should not affect the income-tax and succession duties reserved for Imperial purposes The Central Government should not try to impose uniformity on the analogy of European conditions. India is almost a continent. There are so many religions, so many laws of succession, climatic changes, varieties of land tenure, etc., that the Central Government would fail to attain an uniformity.

Q. 148.—Yes.

Q. 149.—Inequitable.

Q 150 —Though I do not favour the combination of items (2-4) in Q. 147, yet it may, if accepted, lead to a fairer and better distribution provided proper attention be paid to particular needs and production of each province. But the adoption of the combination will jeopardise provincial autonomy to a large extent

Q. 151 —Yes.

Q. 153.—Certainly.

Q 155 —I am against imposing a duty on country-made tobacco.

Q. 156.—These taxes should be reserved for Imperial purposes.

Q. 157.—These considerations do not apply to stamp duties as conditions differ in different provinces.

Q. 161 —The present system is satisfactory as the income from Road and Public Works cesses has been enormously increased The celebrated despatch

Q. 162.—No. Let the existing system continue.

Q. 163.—No.

Q. 164 —No.

Q. 165 —In India there are already monopolies but they should not be extended any further.

Q. 166.—No.

Q. 167.—Yes, they apply.

Extract from the Presidential speech delivered by Raja Resheecase Law, C.I.E., M.L.C., at the Annual General Meeting of the British Indian Association, Calcutta, held on the 31st of March 1925.

Gentlemen, I regret to observe that a practice is growing up in some quarters to regard the zamindars as interlopers and squatters upon the land. These people are galvanized into horror by the very utterance of the name of the Permanent Settlement. They are not only to be found in particular Associations but also in the witness box of the Taxation Enquiry Committee and in some of the Legislatures. But it often happens that what we take to be bogey turns out on close observation to be commonplace thing. The fright, therefore, disappears on close observation. Those who decry the Permanent Settlement are merely superficial observers who overlook the circumstances which led to the grant of the Permanent Settlement in Bengal by Regulation I of 1793. The difficulties of the collection of revenue after the grant of the Diwani in 1765 became insuperable, and everything connected with such collection was in a hopelessly chaotic state. Various methods of collection were tried, still arrears went on accumulating. The tenants suffered fearful oppressions and extortions in the hands of the revenue-farmers. To extricate themselves from this financial muddle, the authorities of the East India Company instructed their Governor-General to form the basis of land settlement which would be deemed as permanent and unalterable in Bengal. The amount of demand of revenue from the zamindars was fixed on the basis of the previous payments made by the farmers of revenue and had no reference to the productive powers of land. The proportion of the revenue fixed was $\frac{10}{11}$th of the gross rental. According to the estimate of Sir John Shore the Government received 45 per cent, the cultivators got 40 per cent and the zamindars got 15 per cent, of the gross produce of the soil. So it will be observed that the zamindar's share of the produce was very insignificant specially at a time when the country had not recovered from the after effects of the famine of 1770 and the severe exactions of the Amins. By the Permanent Settlement of 1793 the zamindars were declared by the English Government to be "hereditary proprietors of soil," the condition being that on default of payment of Revenue on a particular day, the estates of the zamindars were to be sold. The raiyats who held under *pattahs*, and *khud-khast* raiyats were declared to have the right of occupancy in their lands. But under clause I of Article VII of Regulation I of 1793 the Governor-General-in-Council reserved to himself the power of enacting laws for the protection and welfare of dependent talukdars, raiyats and other cultivators of the soil. This power certainly does not mean or authorise the Government to transfer some of the proprietary

stringent sunset law was at once enforced.

It will thus be seen that it was not by mistake or in a fit of whim or caprice, as has been asserted by some irresponsible critics that the Government of the day made the zamindars the owners of the soil and fixed the demand of Government revenue; but circumstances compelled the Government to do so. Lord Cornwallis wrote in his Minute of the 18th September, 1789 regarding the

which is to be sold to make them good being greatly increased on the other. By what probable, I may even say possible, means such a plan is to fail" (see documents and extracts illustrative of the British Period of Indian History, Part I, pp. 130-133). The Court of Directors wrote on the 12th April, 1786: "it is entirely our wish that the natives may be encouraged to pursue the occupations of trade and agriculture by the secure enjoyment of the profits of their industry, and that the zamindars and raiyats may not be harassed by increasing debts, either public or private, occasioned by the increased demands of Government" (The Zamindary Settlement of Bengal, Vol. I, Appendix W, p 49) "The effect of the Permanent Settlement," says Charles Ross, "has been a wonderful extension of cultivation. Though the original Settlement was not at the time a light settlement, yet the saving principle of the permanent certainty of the assessment brought the settlement through. So that, from the protection from foreign invasion, the increase of population, and the consequent increase for the demand for land, a great increase of cultivation, and a great rise in the rent of land have taken place, and the estates have become most valuable property. The greater part of the land had, at the period of settlement, become waste from mis-government, not only has the lost cultivation been recovered, but vast tracts where the plough had never passed have been reclaimed. The result of the Parliamentary enquiry seems to demonstrate that the permanency of the Bengal Settlement has not been a bad bargain. That, in addition to giving Government a fair revenue, it has increased very much the wealth of the country."

The constant cry of some persons in season and out of season with the object of reversing the Permanent Settlement is that the zamindars are "oppressors" and "blood suckers" But there is no charm in those words which by repetition would produce any effect. Their object is to give the dog a bad name and then to hang it. But they forget that the zamindars' prosperity [illegible]

The Permanent Settlement is a solemn contract which cannot be set aside with any show of justice, equity or reason And I firmly believe that neither the British Govern [illegible]
that Government, [illegible]
an unrighteous act [illegible]
large sums of mor [illegible]
zamindars with whom the Permanent Settlement was originally made, probably 90 per cent no longer exist, their estates having been sold out; and the persons who purchased them paid a proper and fair price on the belief and in consideration of the fact that the "orders fixing the amount of the assessment as irrevocable and not liable to alteration by any person whom the Court of Directors may hereafter appoint to the administration of their affairs in this country." The present zamindars get only 4 to 5 per cent as profit for the investment they have made in landed property. One retired member of the Public Works Department in suggesting the abolition of the Permanent Settlement, recommended the redemption of the land revenue by the payment of the revenue of a fixed number of years in a lump sum. But the gentleman forgot that the zamindars have no money to pay the adequate amount to the Government

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Written memorandum of Mr. J. A. L. SWAN, C.I.E., I.C.S., M.L.C., Secretary to the Government of Bengal, Education Department.

Q. 93.—In my opinion, Government may legitimately charge more for the registration of documents than the amount actually required to cover the cost of the Registration Department. I see no practical reason why the State

should not make a profit from its charges for services rendered to individuals. This is the more reasonable in the case of registration fees, because the system of registration has given security of title and reduced the risk of secret and fraudulent transactions and has thereby increased the market value of property. I am aware that when the Indian Registration Act was passed, the Government disclaimed any intention of using it as a source of revenue. [illegible] when the system of registration was in its infancy and Government were anxious to popularise and extend it, it would have been unwise to impose heavier fees than were necessary to cover the cost of the department. Circumstances have now changed. The system is well-established and popular, and an increase of fees can be so assessed that the poorer classes will be little affected if at all. I consider, therefore, that registration fees are a legitimate source of revenue which Government, in their present financial difficulties, are not in a position to neglect.

Written memorandum of Dr. D. B. MEEK, M.A., D.Sc., I.E.S., O.B.E., Director of Industries, Bengal.

Q. 59.—With a few exceptions, an excise duty on the articles mentioned in the list would not yield much. Some of the articles also are only beginning to be manufactured in India and the difficulties of manufacture with profit are already sufficiently great. *e.g.*, the following would yield practically nothing :—

Acetic Acid,
Cartridges,
Chewing gum,
Cigarette papers,
Chocolates,
Motor cars,
Playing cards,
Pleasure vessels,
Saccharine,

and the manufacture of those given below is only being carried on with difficulty :—

Matches,
Oleomargarine,
Soap,
Sauce,
Sugar.

Written memorandum of the MARWARI CHAMBER OF COMMERCE, Calcutta.

Q. 1.—My Committee do not think the statistics of the Annexure "A" to be sufficient for the purpose of reaching the accurate estimate of the wealth of the country. Statistics of mineral products, industries both great and small, trades, wages and such other resources of the like nature should not be excluded for the purpose in hand. Further, all the statistics given are not deemed by my Committee to be exactly correct. Of course, those of the agricultural and larger industries are quite reliable. The process of gathering data is quite unsatisfactory and this makes the statistics unreliable.

Q. 2.—The Chamber is not in a position to give the correct estimate of *the wealth of the country, for in the absence of sufficient data, the estimates* cannot but be erroneous.

Q. 3.—Impossibility of arriving at a correct estimate arises from the want of sufficient statistics.

Q. 4.—It will involve a great expense to procure correct statistics. The present method of statistics is not satisfactory.

Q. 5.—Indian products are of various kinds and nature, census of production will serve no useful purpose in India. Hence it is quite unnecessary.

Q. 6.—No, the Chamber does not think it necessary.

Q 7—Yes, the above estimates will be useful for ascertaining the incidence of taxation. No comparison in this respect should be made with regard to foreign countries.

Q. 8—The diffusion theory of income is now ignored, and it is said that the incidence of taxation can be ascertained with proper statistics. In cases like income-tax and death duties the incidence can be easily known; the incidence concerning the income of wages, agriculture, etc, may be ascertained from the details given in the Annexure C. But it is not very easy to find it with regard to interest or commodities for their various factors unknown and unknowable

Q 9—Direct taxes except poll tax fall on the rich as well as on the land-holding classes, while indirect taxes affect the poor and middle classes Taxes are paid by the people in general, so it is desirable to follow the opinion of the public

Q 10.—Excepting Government estates barely 2 per cent of the land revenue comes from the sale of waste lands, forests, etc., which do not fall under the meaning of taxation

Q. 12—The revenue from forests, as the Chamber thinks, is not a tax at all.

Q. 13.—In the Government or Semi-Government commercial institutions there should be a sinking fund for depreciation and small reserves. A return on the capital should be provided.

Q. 14.—The Chamber does not think that there is an element of taxation in the revenue from the railways, tramways, telephones, telegraphs, posts, etc But so far cinchona is concerned, the revenue hereof has got an element of taxation.

Q 15.—The Chamber has no information to answer this question. Only the charges of irrigation appear to be a little more.

Q 16.—The Chamber is not in favour with the State taking charge of irrigation which is the function of a trader only.

Q. 18.—The income under the Indian Ports Act should not be said to fall under the category of taxation, provided it is not extremely heavy, nor intended for profits.

Q. 19.—A particular locality is only a part of the whole country: so the taxes that are imposed to meet the expenses thereof should come within the general incidence of taxation.

Q. 20—In the consideration of incidence of a particular place, the Chamber thinks that there should not be any distinction between taxes for particular services and those for general purposes of the local body.

Q 21.—Indirect taxes may be regarded as voluntary with some exceptions such as on salt.

Q. 22—Taxes on luxury and amusements should be separately classified.

Q. 23.—The Chamber concurs in the statements that taxes on tobacco, cigars, and cigarettes and liquors are not economically burdensome except on the family of the smokers and drinkers.

Q. 24—The Chamber does not dislike a tax for amusements it is not exorbitant, and if the prosperous people have some pleasure in them.

Q. 25.—Yes, a tax on tobacco that on liquors do not affect Sikhs and Muhammadan masses generally.

Q. 26.—The words of Sir Josiah Stamp may be helpful for reference with regard to taxation.

Q. 27.—Yes, every member of the community should pay some sort of taxes so that he or she may feel the personal existence in the community.

Q. 28.—Yes.

Q. 30.—The Chamber does not recommend direct tax in any way for the poorer classes. The poll tax is the worst kind of taxes in the world. My Chamber strongly opposes this tax. It is highly objectionable.

Q. 31.—The Chamber thinks capitation tax to be objectionable like poll tax. The chowkidari tax is less objectionable.

Q. 32.—In the opinion of the Chamber, the poll tax and the capitation tax are more objectionable than salt tax, excise duty on cotton, kerosine, customs and duties on matches.

Q. 33.—The rate of income-tax is already too high for any further enhancement. My Chamber is against any increase of the rate, if the Government want to make up the deficiency owing to the repeal of any other tax. Moreover the Chamber thinks that on account of war, rates were enhanced but now the people have every right to ask the Government for minimizing the rates because the war is over.

Q. 34.—As regards progressive taxation the Chamber considers the existing scheme of graduation satisfactory. Different graduations with proper abatement should be introduced.

Q. 35.—The Chamber advocates differentiations in favour of earned income. If by "productive enterprise" is meant industry in the opinion of the Chamber no differential treatment could be accorded to these.

Q. 36.—The Chamber considers it quite possible without proceedings of an inquisitorial nature to make allowances for the number of persons supported out of particular incomes. What is necessary is to require assesses to furnish a statement showing the number of persons dependent thereon.

Q. 37.—The Chamber is strongly opposed to the further continuance of the super-tax in any form. It is an extraordinary tax the imposition of which was agreed to by the people only as a war tax on the strength of the [illegible] ...lished after the cessation of the [illegible] the war have been or are being [illegible] in Europe, financially far better [illegible] justification for its continuance in this country. Not only does this tax operate as an oppressive burden on those who are required to pay it, but it stands as a serious obstacle in the way of the industrial development of the country. Following the example of other countries the Government should lose no time in repealing this unjust tax.

Q. 38.—The Chamber is not in favour of the removal of the exemption of incomes derived from agriculture, as that would practically mean removal of the Permanent Settlement. Nor does it think that a tax can be profitably imposed on the incomes of farmers. The holdings in this country being very small, taxing the farmers appears to be unthinkable.

[illegible] ...sons depen- [illegible] ...er can say [illegible] ...antial gain

Q. 40.—In view of the fact that there is the element of economic rent in all lands which is not present in other forms of income, these cannot be compared with income derived from land. As regards the limit of exemption, it would not be fair to reduce it, as it is not really higher than the limit in other countries. It should not be forgotten that the earning member of an Indian family has generally to support a large number of dependants and that there is not provision of abatement in the Indian law.

Q. 41.—The Chamber does not think that efficiency has increased in proportion to the increase in the establishment of the Income-tax Department and for all practical purposes income-tax is still a tax on honesty. There has, however, been a very appreciable increase in official arbitrariness which means greater trouble, inconvenience and harassment to the people than before

Q 42.—There can be no objection to a standard form of accounts if the form is prescribed in consultation with and with the approval of the commercial communities It should be remembered that if evasion is possible in all forms of direct taxation owing to assessment being necessary arbitrary official action to show increased revenue is not less possible

Q 43.—The Chamber does not favour the idea of publicity being given to incomes taxed or income-tax rolls being made public records. No particular benefit or advantage can be expected from publicity. On the contrary, it may affect the interests of business people adversely. The employment of non-official assessors and commissioners is also open to objection The best solution is to increase the efficiency in administration. If the tax collector is to see that no evasion takes place, it is fair that he should also assist the tax payer as far as possible by pointing out where a rebate or refund is due.

Q. 44.—The Chamber does not consider the issue of income-tax-free securities objectionable

Q. 45.—The income-tax on bearer securities may be collected by means of stamp duty on the coupon. But the principle of collection at source is of doubtful soundness.

Q 46.—Yes

Q. 47.—The system of assessment on the basis of three years' average is undoubtedly preferable to assessment on the previous year's income and the Chamber strongly recommends the introduction of three years' average

Q. 48.—What the Chamber can say in regard to the views expressed in the paragraphs quoted is that in a country like India where there are no reliable statistics regarding the financial condition of the people, it must be difficult to find the point which Sir Josiah Stamp recommends. Admitting that all classes of the people, including the poorest, should contribute something to the State, it is desirable that the indirect taxes on necessaries should be kept as low as possible while higher rates should be levied on luxuries.

Q. 49.—Having regard to the fact that India is industrially backward and is struggling to become more or less self-contained in that respect, the Chamber cannot approve of, much less recommend, an excise on any of the articles mentioned in the list, except perhaps on aerated waters, as an excise duty is bound to hamper the development of industries. Rather the Chamber would recommend the abolition of the existing excise duties.

Q. 50.—In case of luxuries, the graduated or progressive principle should be applied to indirect taxation but not in case of necessaries though it must be admitted that it is rather difficult to distinguish between necessaries and luxuries.

Q. 51.—The Chamber accepts the statement of general policy quoted in the questionnaire in regard to taxation on salt.

Q 52.—The Chamber desires to point out that it is not the salt tax alone which the poorer people of this country have to pay. They have to pay import and excise duties on cotton piece-goods also. The salt tax should, therefore, be kept as low as possible.

Q 53.—The present Indian rate of taxation is higher than that of Japan and lower than that of some other countries. But considering the comparative wealth of the different countries, the Indian rate is undoubtedly high The fact should be remembered that in India salt is mostly used for human consumption, whereas in other countries it is used extensively for agricultural

and other productive purposes also Any further increase in the rate in this country is bound to prove an oppressive burden.

Q 55.—In the present condition of the country, State monopoly for the manufacture of salt is desirable, provided a purer article is available at a cheaper cost

Q. 56 —The Chamber does not consider the imposition of a protective duty on salt with favour, because it is bound to raise the price to the great hardship of consumers of the poorer classes.

Q 58 —Yes the Chamber is in favour of the enforcement of sale of salt by weight where it is now sold by measure.

Q 59 —The Chamber does not consider that cost of transport could be reduced and retail prices steadied by opening depots for the sale of salt by Government and it is not in favour of action being taken on these lines.

Q 60 —Yes, any of these methods should be employed for the denaturation of salt with a view to its issue free of duty as in that case the consumption of salt for agricultural and industrial purposes will increase to the great benefit of the country

Q 61 —Although the Chamber would like to see a policy of absolute prohibition adopted specially in the industrial areas, the Chamber does not anticipate any legislation for the purpose in the near future.

Q. 62.—The Chamber does not approve of any of the proposals mentioned in the questionnaire for recouping the loss of revenue as a result of prohibition It is of opinion that the problem of raising more revenue is to be solved in different ways in different provinces according to their local conditions.

Q. 63.—The Chamber agrees with Sir Josiah Stamp's note in the last paragraph quoted in the questionnaire. The Chamber has however no hesitation in saying that in a poor country like India, high prices of intoxicants cannot but have a deterrent effect on consumption and hence on social evils also.

Q. 64.—The policy followed in Bengal falls short of what the Chamber would approve.

Q. 65.—The rates in the mofussil are too low. The rates in the industrial areas are certainly high, but still the Chamber would urge a further increase in order that they may have a deterrent effect.

Q. 67.—Yes.

Q. 68.—Yes, because the imposition of supplementary duties on foreign liquor by Local Governments would be a source of income to them.

Q. 69.—As liquors are sold through licensed vendors, they may be required to submit returns as regards quantity, origin, import and export for adjustment of relations between provinces.

Q. 71.—Yes, there are various considerations to justify variety of rates on *ganja*, *charas* and *bhang*.

Q. 74.—It is quite probable that as a result of the reduction in the number of licences, the value of those that remain has greatly increased on the ground of monopoly but the Chamber has no remarks to make on this suggestion.

Q. 75.—Excluding Burma, the existing rates of duty are sufficiently uniform if the local conditions are taken into consideration.

Q. 76 —The Chamber has not experience of the system of employing paid persons for the retail sale and distribution of opium The introduction of the system may, however, be expected to increase revenue.

Q 77 —The present arrangements, if more efficiently enforced, will prove adequate for the control of smuggling. If further steps are considered necessary, they should be taken by the cultivating provinces.

Q. 78.—For revenue purposes a [illegible] should be confined to a few articles in common use and should not [illegible] imports. In G[illegible] tain 90 per cent of the total customs revenue is [illegible] from four c[illegible] such as

tobacco, sugar, tea, and spirits In India and in some Dominions also the major portion of the duty (about 60 per cent) is obtained from a few imported commodities From a purely revenue point of view, import duty on a few articles in common use and on luxuries is desirable because in that case it can be levied economically whereas if all imports are taxed, a large portion of the revenue is likely to be swallowed up by the establishment charges. The limit in the number of taxable commodities can be determined only by a reference to the statistical returns of the Customs Department. But it may be necessary to change the limit from time to time according to the changes in the habits of the people.

Q. 79.—Revenue from the customs duty on most of the articles has increased with the gradual increase in the rates since 1913-14. There were so many unknown and unknowable factors in operation during this and the succeeding abnormal period that it is difficult to say what has been the exact effect on revenue of the changes in the rates only. Now that normal conditions are returning, it will be possible to measure real effect after, say, another four or five years.

Q. 80.—Yes, increased rates can be imposed with advantage on articles of luxury otherwise than for the purpose of protection.

Q. 81.—Because of its vastness and agricultural resources, the case of India is more akin to that of countries like Canada, Australia, the United States, Brazil, Argentine Republic, etc , than to that of Great Britain or Japan,

which India has a monopoly or semi-monopoly India being a country with very few manufactured articles to export, the necessity for provision for preferential treatment or favoured national treatment in its tariff system does not arise. India is chiefly an exporter of raw materials which are received free or almost free in all countries.

Q. 82.—Yes, there are some articles such as shellac, oil-seeds, manganese, mica, etc., that are not at present subject to export duty. Duty on these articles may be imposed for revenue purposes without injuring the trade of India.

Q. 83—*Ad valorem* duties have been given up in countries like Germany in favour of specific duties, but it has been retained by countries like the United States, Canada, etc. Both these systems have their merits and demerits. From a revenue point of view as well as from that of the interest of business people, the Chamber prefers the present system known as the tariff valuation which is a combination of *ad valorem* and specific duties, provided valuations are made at frequent intervals, whenever this system is found possible.

Q. 84.—Yes, the system of tariff valuations is working fairly satisfactorily. But in view of the rapid fluctuations in prices it is desirable that the valuations should be revised more frequently.

Q. 85—Goods are frequently detained by the appraisers' and importers' valuations are rejected for insufficient reasons. There have been cases where importers' valuations have been refused in the first instance but subsequently admitted after considerable delay on the importer offering to hand over the goods to the Customs at his own valuation. Besides, it is a matter of common knowledge that the appraisers employ brokers to make enquiries. This practice is manifestly wrong and should be stopped at once.

Q. 87.—In the opinion of the Chamber taxes on auction sales, betting, club subscriptions, luxuries, and safe deposits can be levied for the benefit of the Provincial Governments.

Q. 88—The Chamber agrees with the principle laid down by Bentham that high stamp duty for judicial proceedings is undesirable. In a country like India it cannot but be regarded as extremely so when it is remembered that holdings in this country are very small, rights of occupancy and inheri-

tance are numerous in forms, the people are poor and economic and educational conditions still very backward.

Q. 90.—The Chamber does not agree with the view expressed by Hobson.

Q. 91.—Under the present rules of the Calcutta Stock Exchange there is no evasion of payment of stamp duty, for the reason that a delivery is not thought good unless the proper value of stamps is affixed at the time of the transfer. If it is argued that the blank transfer system now in vogue means evasion the Chamber does not agree, as there is not the least doubt that under this system, the turnover is ever so much larger than it would be if the blank transfer system was quashed and further, actually with a larger turnover, the Government is a gainer in stamp duty on contracts and on other necessary documents.

Q. 92.—In all kinds of fees imposed in judicial proceedings for revenue purposes, an element of taxation is present, as the fees are higher than necessary to meet the cost of the services rendered.

Q. 93.—The fees levied for the registration of a transaction should be such as only to cover the cost of the staff, pensions, buildings, etc. Higher fees are not reasonable, because the parties are required to pay separate fees if and when they came to the law courts in connection with their registered transactions.

Q. 94.—All fees are sufficiently high and will not admit of any further enhancement. But so far as licenses are concerned, the Chamber thinks that in professional licenses and excise licenses a further element of taxation can very well be introduced.

Q. 95.—The Chamber is not in favour of the increase of other taxes in lieu of the amusement tax nor does it like a more general extension of the entertainments tax. The present system ought to be retained with exemption up to a certain limit.

Q. 96.—A tax is compulsory contribution of wealth by a person or a body of persons for the service of the public powers. For rent we have got the famous Ricardian theory. If it is admitted that the State is the ultimate owner of the land, then theoretically land revenue is rent. But from a consideration of the machinery for assessment and the compulsory nature of the collection, it is akin to a tax. It can be considered similar to taxes on special advantages or monopolies. In areas not permanently settled, if the land revenue is revised according to the fertility of the soil the element of rent preponderates; but if it is revised according to the requirements of the State, it is a tax. In the permanently-settled areas it is certainly a tax or if one likes it, it can be compared to interest on capital.

Q. 97.—In permanently-settled areas, land tax does not affect the interests of the cultivator injuriously. Prosperity depends on monsoon, prices, etc.

Q. 98.—The Chamber does not agree in the criticism.

Q. 99.—*Temporary settlements are based on prices for different periods* and cannot but lead to some amount of inequality. It cannot be got rid of.

Q. 100.—It is impossible to answer the question whether Rs. 2,000 a year is the subsistence level, bec
unit of the family is fixed.
officer to ascertain whether
other limit. The fixing of
further fractionisation of holdings.

Q. 101.—If possible, the Chamber would apply to waste lands in old [illegible]

cultivated are in the possession of some one or other and are private property, the Chamber does not see how the principle can be justly applied to natural resources discovered therein.

Q. 103.—Conditions being not uniform within municipal limits in every province, the Chamber does not think it practicable to adopt a uniform plan

tobacco, sugar, tea, and spirits. In India and in some Dominions also the major portion of the duty (about 60 per cent) is obtained from a few imported commodities. From a purely revenue point of view, import duty on a few articles in common use and on luxuries is desirable because in that case it can be levied economically whereas if all imports are taxed, a large portion of the revenue is likely to be swallowed up by the establishment charges. The limit in the number of taxable commodities can be determined only by a reference to the statistical returns of the Customs Department. But it may be necessary to change the limit from time to time according to the changes in the habits of the people.

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many foreign municipalities are not desirable. In its opinion the scheme proposed by Lord Balfour of Burleigh as Chairman of the Royal Commission on local taxation (1901) is a sound one. According to that scheme grants-in-aid should be given in the form of block grants for each service and distributed according to the needs of the localities The necessity of expenditure is to be determined partly by population and partly by the actual expenditure.

Q 118.—The Chamber believes that an adequate stimulus exists in the country for improving education and sanitation and maintaining and constructing roads It is therefore, desirable that local authorities should be given a free hand in these matters

Q 119.—In the present backward condition of the commerce and industries of the country, the Chamber cannot recommend the imposition of further burdens upon them as that will surely hamper their progress and development. Hotels may be taxed, if necessary.

Q 120.—(i) In the opinion of this Chamber a universal income-tax recommended by Mr. J. C Jack cannot be condemned too strongly. It is sure to prove uneconomic and an oppressive burden.

(ii) The Chamber is not in favour of the taxes suggested by Prof. K. T. Shah Even in these cases in which taxation is possible revenue will probably be insignificant compared to the trouble.

(iii) The idea of a tax on dowries is simply ludicrous.

(iv) Of all the taxes suggested by Professor Ayyangar the Chamber thinks that duty on patent medicines and luxuries only are possible.

(v) As regards Sir Ganga Ram's proposal to substitute a produce tax for land revenue, the Chamber thinks that in a densely populated country like India, land has a high economic rent. If this proposal is carried, agriculturists will enjoy the economic rent without contributing anything to the State and an injustice will be done to the other sections of the people who have no land

Q 121.—However correct the statement that the amount of tobacco used by any one person is never very large and that if taxation leads to curtailment of its consumption, so much the better from the social point of view, may be theoretically, the amount used by any one person is not less than salt and indeed it is so widely used that its taxation is sure to be very keenly felt by the poorer section of the people. The Chamber cannot, therefore, wholly approve of indigenous tobacco being taxed.

Q. 122.—As has been stated above, the Chamber does not favour any tax on indigenous tobacco. If, however, it is considered imperative to levy any duty on tobacco, the Chamber thinks that a very small acreage duty on cultivation will be preferable to tax in any other form.

Qs. 123, 124 and 125.—The utmost the Chamber can recommend in this matter is the imposition of a small acreage duty without any control or restriction on cultivation. A small duty will not cause any injustice owing to unequal fertility of land.

Q. 126.—Yes, in Bengal the acreage duty could be collected with the assistance of Union Boards at a small cost.

Q 127.—Yes, it would be practicable to prevent imports from Indian States.

Q. 128.—The Chamber considers it unnecessary to secure the bringing of the leaf into bond.

Q. 129.—Yes, the cultivator should be permitted to grow a fixed maximum quantity for domestic purposes.

Q. 130.—Holding the views as expressed above, the Chamber considers it unnecessary to answer this question.

Q 131.—From the Chamber's stand point the question does not arise.

Q. 132.—If as suggested by the Chamber an acreage duty is levied, a further duty on manufactured tobacco will not be desirable.

Q. 133.—In cases of high tariffs, special duties are preferable to the *ad valorem* system Tobacco, cigars and cigarettes pay high rates of duty and specific rates are therefore needed. At the same time it is desirable that an element of graduation should be introduced in it, if possible.

Q. 134.—The consumption of cigars and cigarettes has increased. But while the duty on these commodities has increased rapidly, that on the manufactured tobacco has not Manufactured tobacco is now, therefore, imported in increasing quantities and cigars and cigarettes are prepared with it. This accounts for the increase in the import of this commodity. The decrease in the exports of cigars is due, firstly, to increased home consumption, as many people are unable to use imported cigars on account of the high duty thereon, and secondly to decrease in external demand for the Indian product. If local taxation be accompanied with an increased import duty, home consumption will not be affected, but export will decrease owing to the rise in prices. If, however, there be no increase in the import duty, the home products will suffer to the advantage of imported goods.

Q. 135.—In the absence of any data before it, Chamber is not in a position to say to what extent Indian-made cigarettes are made of Indian and imported tobacco respectively But it appears that in the better class Indian manufactures imported tobacco is ordinarily used. As this imported commodity is already subject to a tax, it will not be desirable to impose an additional excise duty. It will neither be desirable a heavy import duty on it till the quality of Indian tobacco improves.

Q. 136.—The Chamber is opposed to any restriction being imposed on the sale of tobacco, either wholesale or retail.

Q. 137.—It is true that in other countries there are taxes on property changing hands at death. To a smaller extent such duties are paid in this country also in the shape of succession certificates and probate of will, etc The Chamber considers that further taxation in the shape of death duty will be an unbearable burden as it will practically mean a tax on capital and saving. Economists like Ricardo and even Marshall have rejected this form of taxation. In the present economic condition of the country anything that will retard the accumulation of capital and stop the stimulus to saving cannot be said to be desirable in any way as it is only by increased capital that the vast natural resources of the country can be developed. In a country where there is an abundance of capital, a portion may be safely taken out for the social and economic development of the country as ultimately in such cases, the capital returns to the country in the shape of various improvements. Even Sir Josiah Stamp admits that inheritance duties have an unfavourable effect on the stimulus to saving and that this form of taxation has not special advantage when the proceeds cannot be spent for productive purposes.

Qs. 138 to 146.—As stated above, the Chamber is strongly opposed to this duty and does not, therefore, think it necessary to answer these questions.

Q. 147.—In India the line of development towards federation is proceeding from an opposite direction to what has been the case in other countries.

3 and 5 (separation of sources of revenue and a system of payments from the Central to the Local Governments) offers the best possible solution of

nature and cannot fluctuate so widely as to create an embarrassing position.

Q. 149.—Even in agricultural provinces there are inequalities in permanently-settled and non-permanently-settled tracts In the permanently-settled areas land revenue cannot be increased. In several provinces irriga-

tion on which large amounts have been spent out of the revenues of the Central Government and which has effected in large agricultural development has now become a provincial subject The provinces having irrigation schemes are therefore in a better position than those which have no such schemes. Then, there is a great difference between commercial and agricultural provinces also In the former the most important item of income is that derived from trade which has to pay income-tax and super-tax which are central revenues, while in the latter the main item of income is from land which is a provincial item of taxation In short, non-permanently-settled provinces having irrigation systems have the best possible advantage and the permanently-settled provinces that are mainly commercial are the worst sufferers under the present system of division of resources.

Q. 150—Yes, the present inequality can be partially removed by granting to the suffering provinces a portion of income-tax and super-tax and also a portion of export duty levied on commodities peculiar to them.

Q. 151.—In most countries land revenue is a provincial source of revenue. In India the provinces have no other source of stable and large revenue. Moreover, the land revenue system is too diverse in the different provinces to be placed under the Central Government Land revenue, therefore, should continue to be a provincial source of revenue

Q. 152—Yes, the Chamber generally accepts the reasoning about the national character of taxes on exports and imports.

Q 153.—When a particular province feels inconvenience in any way for the production of a commodity on which an export duty is levied or when it suffers from budgetary deficits in consequence of statutory allotment, that province can reasonably claim some relief in the shape of a part of the revenue derived from such export duty

Q. 154.—If it is at all possible to enhance the rates, the enhanced revenue should be given to the provinces. Such questions should not always be governed from the standpoint of principle alone. The requirements of the provinces are also important considerations. Moreover, the underlying principle may be the same but there are differences in actual practice

Q 155.—Although some difficulty may be felt in deciding a uniform increase of duty on imported tobacco, the Chamber would like the acreage duty on cultivation to be a provincial source of revenue.

Q. 156.—Yes, on general principle the Chamber accepts the reasoning that income-tax and succession duties should be levied at uniform rates and centrally administered. Yet to meet provincial requirements, a certain percentage should, if necessary, be given to the provinces as is done in France It is difficult to lay down any definite principle on which the division of proceeds can be based

Q 157.—The Chamber does not think that similar considerations should be applied to every case, as that will necessarily deplete the resources of the Provincial Government.

[illegible]

to the Provincial Governments according to their needs.

Q. 160—The Chamber does not approve of local bodies levying an additional income-tax in the form of a business or profession tax.

Q. 161.—Yes, a maximum limit upon surcharges on land revenue should be imposed by law for the District Boards.

Q. 162.—The principle under which the Central, Provincial and Local

areas however the rates and taxes should be regulated by the necessities of the local bodies, but the maximum limit should be fixed by law.

Q 163.—The Chamber does not advocate State monopoly except in cases of the post offices and telegraphs. Even irrigation, which in India is a monopoly of the State, can be taken up by private enterprise. The Association understands that a small beginning has been made in this direction in Western Bengal. In municipal areas, water-supply, gas, drainage and even telephone and transport service can be undertaken by the municipal authorities.

Q 164.—The Chamber is not prepared to support monopolies of services like pawn shops, life insurance or of any other service

Q 165—[illegible]

but he also adds that "the argument forwarded in favour of such a measure is weakened by the great extent of the industry and elaborate appliances needed for its proper working That a State Department could with financial profit undertake the production or sale of spirits is not likely........... *A rigid excise system appears to be on the whole better for the industry and the State*

Q. 166—The Chamber is not ready to accept any extension of the system of State monopoly unless the State can produce a purer stuff at a cheaper cost.

Q. 167.—As to conditions of administration, Bastable writes as follows:—

"Where direct taxation is extensively used, the local authorities or their officials may be engaged for the purpose of collection, but it appears that on the whole central management is more effective, though the same person may conveniently be the agent of both administrations".

Q 168.—Yes, the Chamber considers that the staff is excessive for its present duties. If the proposed separation of executive and judicial duties is effected, the duties of the staff on the executive side who are the collectors of revenues will be further lightened. Even with the present specialisation, collection of excise duty and income-tax can be entrusted to the executive staff of the district.

Q. 169.—The Chamber has not adequate data before it to reply this question

Q. 170.—The Chamber does not think that except what it has suggested in answer to question No 168, any other proposal for combination arises.

Q. 171.—The Chamber is not in favour of central control over the administration of local taxes. Its experience in this respect does not support the experience of democratic western countries.

Written memorandum of the Bengal National Chamber of Commerce, Calcutta.

Qs. 1 and 2.—The data referred to in Annexure A cannot be considered to furnish accurate information about the wealth of the country and the statistics must be to some extent at least unreliable The method by which these informations are collected is by no means equal to the labour involved. If the collection of necessary statistics under the heads—

(1) Agriculture,
(2) Livestock,
(3) Factories,
(4) Mines and Minerals,
(5) Other Industrial Concerns,

is aimed at it will require a large organisation which should secure the willing co-operation of the people. In Bengal no means have been adopted to ascertain the value of agricultural produce which is dependent not only upon the caprice of
illiteracy o
informatio
which have ... proper accounts.

Q. 3.—Statistics of income-tax and death duties cannot help us to estimate the national income as incomes from land in permanently-settled areas and income-tax-free bonds are left out of calculation What is more, the aggregate of small incomes below the taxable standard cannot be ascertained.

Q 4.—Unless the people are sufficiently educated to help the authorities in collecting information, the information collected will always be inaccurate and consequently unreliable.

Q. 5.—The taking of a census of production similar to the English census provided for by the Census Production Act, 1907, cannot be advocated in this country It has already been stated that in Bengal agricultural production depends on various varying factors and the census of the production of a particular year cannot be accepted as reliable for years.

Q. 6.—The proposed method need not be adopted. Besides the big employees of manual and clerical labour, there are private parties employing labour and the cumulative effect of such labour cannot be negligible.

The statistics of prices based on information supplied by traders cannot be accurate as such information will not touch the large volume of private sale and purchase which should be neglected.

Q. 7.—Inaccurate estimates should not be accepted as basis of taxation.

Q. 8.—It is not possible to go through the books and reports which have been referred to in Annexure C. Moreover some of them are of a somewhat academic interest and in view of what has been said above these books and reports cannot help us to come to conclusions which can be relied upon in the matter of taxation.

Q. 9.—The social and religious conditions of the people of this country militate against any successful attempt to divide them into classes in conformity with western ideas.

Q. 10.—The land revenue of Bengal apart from fixed collections and collections from Government estates includes a sum of Rs. 7 lakhs under items which do not fall within the definition of a tax.

Q 13.—It must be held that in a commercial or semi-commercial undertaking undertaken by Government endeavour should be to secure a commercial return. A monopoly profit appears to have an element of taxation.

Q. 14.—Yes.

(*a*) The terminal tax on railways.

(*b*) The items referred to have elements of taxation as they come under monopoly profit. Profit on coinage and exchange is not only a tax but is also an instrument for giving impetus to foreign trade at the expense of Indian industries and commerce.

Q. 15.—The Committee are not aware if the charge for the water ... for irrigation ...

Q. 16.—It is not fair for the State to have a portion of the increase in value of land newly brought under irrigation or guaranteed a supply of water. The owner of the land has to pay for water used for cultivation. That the agriculturists of India are too poor even to pay for manures, etc., is admitted. If they are compelled to pay a lump sum they will fall an easy prey to the exacting money-lender. Any increase in land tax, betterment or otherwise is out of the question in permanently-settled areas.

Q. 17.—The tenancy laws entitle the landlord to an enhancement of rent for improvements effected by him at his own cost But the powers given to the court are discretionary.

Q. 18.—Dues levied under the Indian Ports Act cannot be called taxes imposed on the consumers so long as they cover the working expenses and leave a reasonable profit to pay interest to debenture holders. To consider the capacity of the tax-payer the taxes imposed to meet the needs of particular localities should be fully taken into consideration.

Q. 20.—No distinction should be made between the two.

Q. 21.—No tax direct or indirect can be regarded as purely voluntary. Indirect tax on every commodity should be taken into consideration when estimating the burden upon the tax payer.

Q. 23.—It is not possible to agree with the statement "Immoderate smokers and drinkers contribute heavily to taxation. The consumption is luxury and it is optional and this taxation raises revenue but imposes no economic burden." Country-made tobacco cannot be placed in the category of intoxicating drugs. In India tobacco is extensively, nay almost universally, used. It is not harmful like wine. It would, therefore, be a hardship to tax country-made tobacco.

Q. 24.—(a) Tax on entertainments may be included in the list of voluntary taxation and will not cause hardship to the general public.

(b) Railway fares are already high and should not be added to by a tax on railway tickets.

Q. 25.—It is impossible to draw a line of demarcation between people who take intoxicants and those who do not. Some religions, it is true, enjoin that intoxicants should be eschewed. [illegible]
for instance, lay down that it is a s [illegible]
fact that every Muhammadan observ [illegible]
burden of taxation the excise duty sl [illegible]

Q. 26.—The Committee of the Chamber favour indirect taxation and urge that tax on their necessaries of life should be as light as possible.

Q. 27.—It is not possible for a member of community to escape indirect taxation.

Q. 28.—The Committee are of opinion that taxation is a proper accompaniment of representation.

Q. 29.—For sometime to come, at least, taxation must remain the basis of representation as the time is not ripe for the introduction of manhood suffrage. Till that is done, direct taxation cannot be avoided.

Q. 30.—The Committee are of opinion that a poll tax should on no account be imposed. It will be a great hardship on the people as the average income of the head of the family is small and he has to maintain a large number of dependants.

Q. 31.—In Bengal the chowkidari tax cannot be included in the category of capitation tax. A professional tax in addition to license would be unjust and cause great hardship.

Q. 32.—A professional tax on the lowest classes cannot but be considered more objectionable than the salt tax, the customs or excise duty on cotton, kerosene oil or matches and the octroi.

Q. 33.—The income and super-taxes are already considered intolerable. They should be reduced rather than increased.

[illegible]

considered reasonable.

Q 35 —No

Q 36 —No

Q 37 —The sooner it is abolished the better for the people.

Q 38 —No

Q 39 —No The estimated gain of 16 to 20 crores of rupees from taxes on agricultural income seems to be exaggerated. Any imposition on agricultural income in Bengal would be a violation of the conditions of permanent settlement

Q 40 —It is neither prudent nor practicable to compare Indian conditions with those prevailing in Europe From Annexure E it appears that a married Englishman is exempt from payment of tax up to the income of £500 a year whereas an Indian has to pay an income-tax from £135 a year. If incomes up to Rs 2,400 a year are exempted from taxation the arrangement would be considered fair.

Q 42 —It will not be possible to standardise the form of account in this country Any attempt at a standardisation will seriously interfere with the existing methods followed by different communities in India.

Q 43 —Joint stock companies and public bodies may not object to their accounts being known to the public but private persons cannot but feel chary to divulge the secret. The appointing of non-official assessors and commissioners cannot be supported as they are likely to be looked upon as spies.

Q 44 —At the present moment it may not be considered prudent to [illegible] Such securities are of recent growth [illegible] ned to adopt the course on account [illegible] Government would be able to raise [illegible] ir issue should be discouraged.

Q 45 —A special stamp duty on coupons should not be insisted upon as it would be a hardship on poor holders of shares whose annual income falls below Rs 2,400 In this case they will have to pay the price of stamp If refund be allowed, delay and harassment due to redtapism will make small investors shy.

Q. 46 —The system of double taxation cannot be supported.

Q. 47.—The existing arrangement has practically been working smoothly.

Q 48 —The underlying principle of indirect taxation in the first quotation will find favour with the people. But the means suggested later will only meet to trouble in the long run.

Q 50 —Progressive principle cannot be applied to indirect taxation

Q. 51 —The statement of a general policy in respect of the taxation of salt extracted from a recent American publication cannot be accepted. Here in India the tax on salt makes it impossible for the poor man to use as much salt for domestic purposes as is necessary for his health nor can he use sufficient quantities of it for his cattle and for agricultural purposes.

Q. 52 —Any substitution of salt cannot be suggested. The duty on salt is an oppressive duty and if it is necessary to make the general tax-payer realise his duty towards the State the duty should be nominal.

Q. 53.—Considering the average income per head in India the rate of tax at present imposed in the country cannot be regarded as low. It should be decreased rather than increased.

Q. 54 —The present system may be continued.

Q. 56 —An import duty may be levied to give an impetus to the productions of salt and the proceeds may be paid to the provinces as they suffer.

Q. 58.—Sale by weight would be more convenient.

Q. 59 —If uniformity of price is aimed at, Government may open depôts at principal centres.

Q. 60.—The illiterate cultivators of India are not likely to take advantage of the proposed system. Hence it need not be introduced.

Q. 61.—Total prohibition should theoretically be our goal. Drink evil has come in recently and it may be stopped. Opium, *siddhi* and other indigenous drugs have been in use for a very long time and should be extirpated gradually. The use of these drugs like wine can only be supported when prescribed by physicians

Q 62.—The proposal of Dr Mathai reveals his colossal ignorance of the land revenue systems of India in general and of Bengal in particular. The question, however, does not arise at least for years to come

Q. 63—The statements quoted are accepted save and except a tax on country-made tobacco.

Q 64.—Excise duty on intoxicants may be raised to such an extent as would help prohibition.

Q. 68—The imposition of supplementary duties on foreign liquors by Local Governments will find favour with the people.

Q. 70—The tax on trees may be imposed

Q. 78—The duty should vary according to the utility of the commodity to India and some articles such as books, scientific instruments, etc, may be exempted altogether.

Q. 83.—*Ad valorem* duties would be considered more convenient.

Q 87—The Committee of the Chamber are not in favour of substituting any of the taxes mentioned for any tax levied at present.

Q 88—The stamp duty is already too high having recently been raised by the legislature It does not admit of further enhancement.

Q 89.—It is the primary duty of the State to administer justice and in doing so the State should only realise the amount required for the cost of the courts including pension for officers and capital cost for buildings

Q 91.—No remedy for the evasion of duty on transfer of shares can be suggested.

Q. 93—Registration means the preservation of public records of private transactions Hence it would be just and proper if fees levied be sufficient to pay for the cost of staff including pensions, capital cost of buildings, etc. In any case the existing rate should not be increased

Q. 95—The entertainment tax can be supported as it is not a tax on the necessaries of life and it would not be proper to abolish it by increasing any of the other taxes

Q 96—A tax is an impost by the State whereas rent is that which is paid by the tenant for the occupation and the use of the land. From a purely economic point of view land revenue must be considered to be a tax

Q. 99.—The Committee are not aware of any temporary settlements in Bengal based on prices for different periods.

Q. 100.—Agricultural income should not be taxed Owing to town life being more costly, annual incomes in towns below Rs. 2,400 should not be taxed It is not possible to ascertain agricultural income unless and until our peasants are properly educated. At present they do not know how to keep accounts

Q. 101.—The suggested tax on mutation will increase the burden on the poor. Any attempt to check fractionation by a legislation, however desirable, will interfere with private ownership.

Q. 102.—The principle enunciated cannot be applicable to the case of waste land newly brought under irrigation scheme.

Q 103.—If the system prevalent in Bengal be extended to other parts of India the result will be satisfactory.

Q. 104.—No fresh tax should be imposed on mines or mineral trade as that will retard the growth of industries.

Q. 106—Ability to pay should be the main criterion for levying taxes necessary for national and beneficial services.

Q 107 —The existing provision is considered satisfactory The octroi duty certainly causes hardship but its abolition will result in diminished income and it will be difficult to make up the loss thus incurred.

Q. 110 —Absence of any other suitable means for raising revenue probably compels local authorities to maintain the octroi duty

Q. 112.—The house and land tax as also the land cess should be realised separately from the owner and the occupier. If it is not done, various difficulties may arise as to liability to pay and the incidence.

Q 113 —In India taxation is already heavy and should not be further increased.

Q. 115 —The existing condition of land, whether developed or undeveloped, should be the basis of rating in municipal areas.

Q 117 —Grants should be earmarked and the basis of grant should be the urgency and importance of the work to be undertaken

Q. 118 —The Government should look to the efficiency and management In India stimulus certainly exists in the case of such important services as education, sanitation and road maintenances.

Q 119.—The imposition of fresh taxes on business profit, capital stock of corporations, employers of labour, hotels, mines and transactions in capital and exchange cannot be supported

Q 120 —(1) The imposition of an universal income-tax embracing every income and varying with the size of the family cannot be recommended. It is prevalent in no country and it would cause great hardship.

(2) Opinion on taxing agricultural income has been expressed in replies to previous questions, specially questions Nos. 39 and 100

There is already the duty on probate and letters of administration. The imposition of death duties would be unjust.

Among the Hindus it is not necessary to register marriage.

(4) Import duties on motor cars, patent medicines, etc, being already high should not be raised

(6) The idea of levying a tax on inhabited house and dowry is as impracticable as that of abolishing land revenue

Q 121.—The suggestion that country-made tobacco should be taxed cannot be entertained It is almost a necessity to the poor people and is not as harmful as other intoxicants

Q. 122.—(*a*) As tobacco is produced very extensively and often for domestic consumption, it will be very difficult to estimate the acreage accurately.

(*b*) It should be left to private enterprise as at present.

Q. 123 —No.

Q 124 —As taxation on tobacco and monopoly is not advocated, control is not considered necessary

Q. 126.—No.

Q 127.—It would be difficult to prevent smuggling effectively.

Q 132.—The proposal of imposing an excise on local manufacture cannot be supported.

Q 133.—If a tax on tobacco be imposed, it should be *ad valorem.*

Q 134 —If the import duty on cigar be enhanced, it will effect export, the extent depending on the amount of duty.

Q 135.—An excise duty will certainly handicap a growing Indian industry.

Q. 137.—Already a high tax on property changing hands at death is collected by probate and letters of administration. The English system cannot be imposed here in India. The average longivity of an Englishman makes intervals between succession long but the case is otherwise in India. If a death duty is imposed in India it will swallow up the whole property in half a century. Death in a Hindu family imposes a socio-religious duty requiring heavy expenditure Marriage of Hindu girls being obligatory

imposes heavy expenditure. In a Hindu family guided by Mitakshara law the right of a son to the property accrues on his birth. The Muhammadan law enjoins a great dismemberment of the family property. All these should be taken into consideration when the question of the imposition of a death duty is proposed

Q. 140.—No

Q. 141.—This will not be appropriate.

Q. 145.—The opinion expressed by Sir James Stephen is very sound and a death duty should not be imposed.

Q 147.—The combination cannot be considered a suitable basis. Under the existing constitution of India item No. 1 seems to be the best but this should not affect the income-tax and the succession duties reserved for Imperial purposes. The imposition of uniformity on the analogy of European conditions should not be insisted upon. India is more a continent than a country and conditions in different parts are so different that it cannot be considered prudent or practicable to insist upon an uniformity.

Q. 148.—Yes.

Q. 149.—The present division which proceeds entirely upon the basis of separation of sources cannot be considered equitable as between provinces *that are mainly commercial and mainly agricultural respectively.*

Q. 150—The adoption of combination of methods is likely to hamper progress towards provincial autonomy.

Q. 151.—Yes.

Q. 153.—Yes.

Q. 155.—The imposition of a duty on country-made tobacco cannot be supported

Q. 156.—Income-tax and succession duties should be reserved for Imperial purposes.

[illegible] duties on transactions levied [illegible] *rent provinces.*

[illegible] satisfactory as the income [illegible] n increased The assurance given by the Duke of Argyle as Secretary of State for India in his Despatch on the Road Cess should be strictly adhered to.

Q. 162.—The existing system should continue.

Q 163.—No.

Q. 164.—No.

Q 165.—In India monopolies are not non-existant. Their further extension should not be encouraged.

Q. 166.—No.

Q. 167.—Yes.

Written memorandum of the Secretary, Indian Lac Association for Research, Calcutta.

I am directed by the Committee to refer to the note submitted to you by the Director of Industries, Bihar and Orissa, advocating an export tax on lac, and to inform you that it is their considered opinion that such a tax would in all probability prove highly detrimental to the lac industry.

The Indian Lac Association for Research was brought into existence at [illegible] Government of India, with [illegible] lac and its manufac- [illegible] as might be deemed [illegible] e war and the years [illegible] ion and use of sub- [illegible] of the Indian indigo

industry before the trade, it was felt that steps should be taken to endeavour to counteract the headway these substitutes were making

Although the price of shellac has fallen very considerably, it is still much higher than it was in pre-war days, and, unfortunately, the production and use of substitutes are still on the increase In these circumstances, my Committee feel that it would be a suicidal policy to impose an export tax on lac, and they accordingly direct me to register this formal protest against the proposal submitted by the Director of Industries, Bihar and Orissa, or to any proposal for the taxation of lac in any shape or form, other than the cess already in force

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Written memorandum of the European Association, Central Administration, Calcutta.

The Council of the European Association welcomes the step taken by the Government of India to investigate the whole system of taxation in India. It has examined the question in conjunction with the branches of the Association throughout India, and regrets the belated submission of this memoradum, which has been caused by delay in collating the various views.

2. Without wishing to emphasise unduly a communal point of view, the Council is of the opinion that the existing incidence of taxation falls disproportionately on Europeans on account of the greater ease with which taxation can be collected from a community in whom a sense of civic duty exists and whose commercial organisations are modern. If taxation is to be proportionately distributed amongst the peoples of India, it is essential that steps be taken to bring all communities into line in this respect. It is universally recognised that Indian business methods admit of considerable evasion of legitimate taxation and the Council strongly emphasises the necessity of action which will ensure to Government the payment of its full dues.

3 Recognising the particular difficulties that exist in India, the Council considers that indirect taxation is the only practicable method of distributing the burden proportionately amongst the masses. Such taxation is normally imposed by means of import and excise duties. The Council feels that the existing duties have grown up in a haphazard manner without due consideration of their incidence and recommends a thorough revision of all import and excise duties

[illegible]

[illegible] than persons who in England would be, if not exempt, subject to substantial rebate from income-tax. Various proposals from the raising of the subsistence minimum for Europeans to Rs 3,000 per annum to a grant of a rebate for wives and children have been put forward, but the Council in view of the impracticability of introducing discrimination between classes or communities strongly recommends that income-tax on all incomes of Rs. 6,000 per annum and under be reduced.

There is no doubt that individuals maintaining an European standard of living are frequently worse off than those on similar salaries maintaining Indian standards, and the Council lays emphasis on the necessity for taking this fact into consideration when examining the incidence of taxation on the European.

5. The Council has previously referred in paragraph 3 to the question of import duties in general, it now desires to put forward its views on particular duties. Modern conditions demand a reconsideration of the definition of luxuries. In particular the moderately priced motor car, formerly an un-

doubted luxury, now in many cases constitutes a necessity and as such the existing duty is excessive. In recommending a considerable reduction in the import duty on cars and motor accessories the Council feels that not only will relief be given but that communications and mechanical transport will be developed. The freer use of motor cars will benefit the country and through the revenue accruing from the increased use of petrol the reduction here proposed would not in its opinion result in any decrease of revenue.

The Council is of opinion that a mistake has been made in the imposition of high import duties on tinned foodstuffs and articles of clothing. The former in the mofussil are often necessities, especially such items as milk, butter, tinned meats, and fish. With reference to clothing, whilst this forms a practical method of distributing taxation amongst all, the duty on necessary articles should be fixed at a minimum.

6 The Council is generally in favour of some form of taxation which shall be borne by each individual It believes that such a tax has a definitely educative value. The salt tax is such a tax and they are in favour of its retention. It is cheaply and easily collected, and despite political sentiment against it imposes no real hardship on the people. To the Council this particular tax appears to offer room for expansion, and much urgent work in the provinces of a medical, sanitary or educational nature might be financed through a small increase in the present tax.

7. The Council has previously emphasised the necessity of checking the present widespread evasion of taxation, particularly amongst small traders and money-lenders, and put forward the following suggestions for the consideration of your Committee:—

(a) Petty traders and professional men might be compelled to take out licenses, these being graduated proportionately, the license fee being refunded where income-tax is paid.

(b) Legislation should be introduced to control the activities of money-lenders, registration of whom would provide a considerable source of revenue. Such legislation would certainly react to the economic benefit of the country.

(c) The severe punishment of persons found wilfully evading their responsibilities regarding taxation.

8. The Council is in favour of the taxation of alcohol and tobacco, articles which undoubtedly fall within the category of luxuries. It does not consider that prohibition is a practical policy for India and therefore does not anticipate its introduction. Apart altogether from the loss of revenue that would accrue, a policy of prohibition must be costly in execution and would prove ineffective from the temperance point of view, owing to the ease with which individuals could evade the law and distil their own alcohol. With reference to tobacco, whilst some discrimination might be made between the home-grown and the imported article, there is not at present any excise duty on home-grown tobacco It considers an excise duty might be imposed on cigarettes and tobacco manufactured in India

9. The Council has made recommendations in certain directions for reduction in taxation. On the other hand, it has pressed for a more efficient collection of such taxes as are already imposed and has made suggestions for the inclusion of individuals who do not at present appear to pay their due proportion. Should its recommendations materialise, the Council feels the increased revenue will not only cover the cost of any minor recommendations it may have made but should provide a surplus.

10. Finally, the Council is of opinion that it is not possible in India at present to provide for representation on basis of taxation—the masses in India are still illiterate and though it is necessary that they should pay towards the maintenance of the State by indirect means, they are not yet in a position to use electoral powers with discrimination.

Written memorandum of the East Bengal Landholders' Association, Dacca.

The Committee of the Association cannot very well determine the province of public finance which the Indian Taxation Committee propose to traverse in the course of their enquiry But from the papers in our possession we gather that the object of the enquiry is rather to discover by what means the entire public revenue derived from Imperial and Provincial sources could be so utilised and distributed as fairly and equitably to feed all departments in the administrative machinery than to explore new and possible avenues for fresh taxation But as the questionnaire has adverted to some matters which give rise to suggestion by implication for fresh sources of taxation, our Committee desire to make the following observations on two of them particularly, namely, (1) universal death duty and (2) imposition of an income-tax on Agricultural income, both of which are calculated materially to affect the vested interests of the landholding community.

Universal death duty—It is a great misfortune that the Local Governments, politicians and economists, unconsciously impelled by socialistic motives to afford the State a share in private gains, have advanced proposals for universal introduction of death duties on inheritance What a man accumulates as his wealth, he does so either through industry or by thrift or prudence. To impose a tax on such accumulation is nothing short of putting a premium on individual virtues—and a more of punishing private wealth A death duty is, therefore, an imposition on the recipient of inheritance and not on current income The tax is calculated either to depress capital or to prevent accumulation Such a duty would not only be irregular but also spasmodic and chance return It will be extremely unwise and improper to make the imposition in face of the fact that the real estate has already paid more than its just share in the shape of such minor imports as rates and cesses Besides, the capitalised value of the estate is sure to diminish with the introduction of such measure "Under the High Death Duties," says Andrew Mellon,* "ownership in land has ceased to have value and large estates can now be purchased for less than the cost of the improvements. In other words, the land itself is rendered valueless by the death duties and no longer produces revenue"

The next thing that should be remembered in this connection is that on the death of a person everything relating to his property gets locked up, as it were, pending probate or administration proceedings There often then arises a dearth of liquid cash and great difficulty is experienced in the matter of procuring funds for payments of court-fees and the like It is not unoften that to evade just payment of probate duties, undervaluation of the assets is resorted to and ordinarily concealment of some even takes place To escape the duties ingenious attempts helped by expert legal advice would be made to practise deception It is no idle conjecture if the unpopularity of the measure is followed by steps to dispose of properties timely by transfer *inter vivos* in order to circumvent law and avoid death duty as far as possible It is no exaggeration to say that any attempt to tax accumulated capital or devolution of property universally is bound to be looked upon with great disfavour and the measure, if actually carried into effect, will evoke unprecedented popular outburst and alienate public sympathy from Government

Income-tax on agricultural incomes—It is greatly to be deplored that some of our Indian economists (*e g* , Shah Khambata and Ayyangar) in their extreme anxiety to seek cheap distinction have suggested agricultural profits as a likely source for augmentation of the public revenue Besides, the bare mention of the subject and probable income that is to be derived from such

* Taxation The People's Business by Andrew W. Mellon Macmillan New York, 1924.

taxation they have not said anything in justification of the proposed imposition. They would certainly have thought thrice before they put forward such an unwise and inexpedient suggestion, if besides being concerned with mere theory and statistics, they had made themselves acquainted on the one hand with all the circumstances that attended the introduction of the permanent settlement of land revenue in Bengal and on the other studied aright the conditions of agriculture throughout the country. It is needless to emphasize that the proposed tax will vitally affect the landowning and agricultural interests in our province particularly. It will also be an encroachment on the legitimate rights of zamindars and also of tenure-holders who have under the solemn covenant of the permanent settlement been wholly exempted from all additional demands on their lands by the State for all time to come. By the terms of that settlement the revenue payable by them has been irrevocably fixed. The zamindars have been declared the actual proprietors of the soil. Any attempt, therefore, on the part of the State to impose a fresh levy now upon them will be construed as a breach of the solemn pledge which induced the zamindars and tenure-holders to invest their money in land on payment in ninety per cent. of the cases of its full market value. It is evident also that the framers of the Regulation which introduced the permanent settlement made it abundantly clear in the terms thereof that the State did not reserve to itself any right to increase the assessment or impose fresh taxes even in times of great emergency.

It is refreshing to find that two other Indian economists (Wadia and Joshi: Wealth of India: Macmillan: London: 1925) have opposed all proposals for taxation of agricultural incomes.

From time immemorial Government have claimed a portion of profit of the soil. Land Revenue is a tax which is paid to satisfy such a demand on the part of the State. Such land revenue is itself a thing, *per se*, a tax on agricultural income. We have already accepted the principle by which all incomes in trade or business below Rs. 2,000 have been exempted from the operation of income-tax. Now if land revenue is also a tax, which it is by reason of its incidents, it should as well be exempt from income-tax up to a certain limit. The reason for such exemption of agricultural income is all the more strong when we bear in mind that agriculture is the mainstay and principal occupation of ninety per cent. of the population and there is an imperative need for the accumulation of capital for agricultural developments. Besides, there is no gainsaying the fact that agriculture is not in a prosperous condition. The productive power of the land is also daily diminishing. To add to this, there is the alternate visitation of drought and flood. The insufficiency in the yield and the alternative natural disasters keep the agriculturist in a state of perpetual indebtedness. What with depreciation of the productive power of the soil, what with exactions and what with natural causes, the average income of the agriculturist is far below the average as compared to that of other countries in the world. Such being the patent facts it would be unwise and unjust to levy a universal tax on agricultural incomes. But if in face of strenuous opposition from the landholders, Government insist on the introduction of a Universal Death Duty and the imposition of an income-tax on agricultural incomes, they will find themselves faced with a situation of a serious magnitude which will purely be their creation, and which it will be difficult to deal with. In short, by pursuing such a suicidal policy, Government will lose the sympathy of the zamindars who have stood by them through sunshine and through storm and who have hitherto been their main supporters.

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